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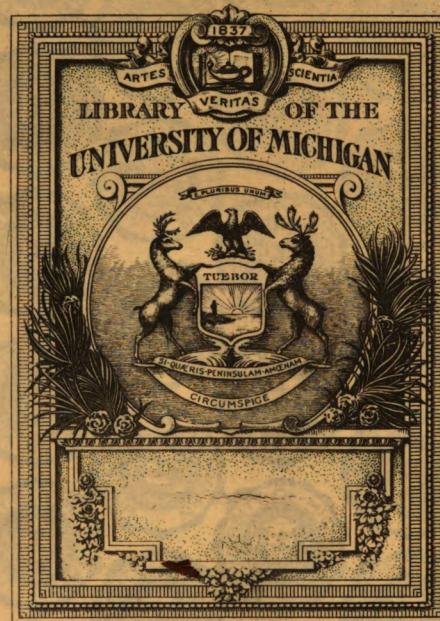
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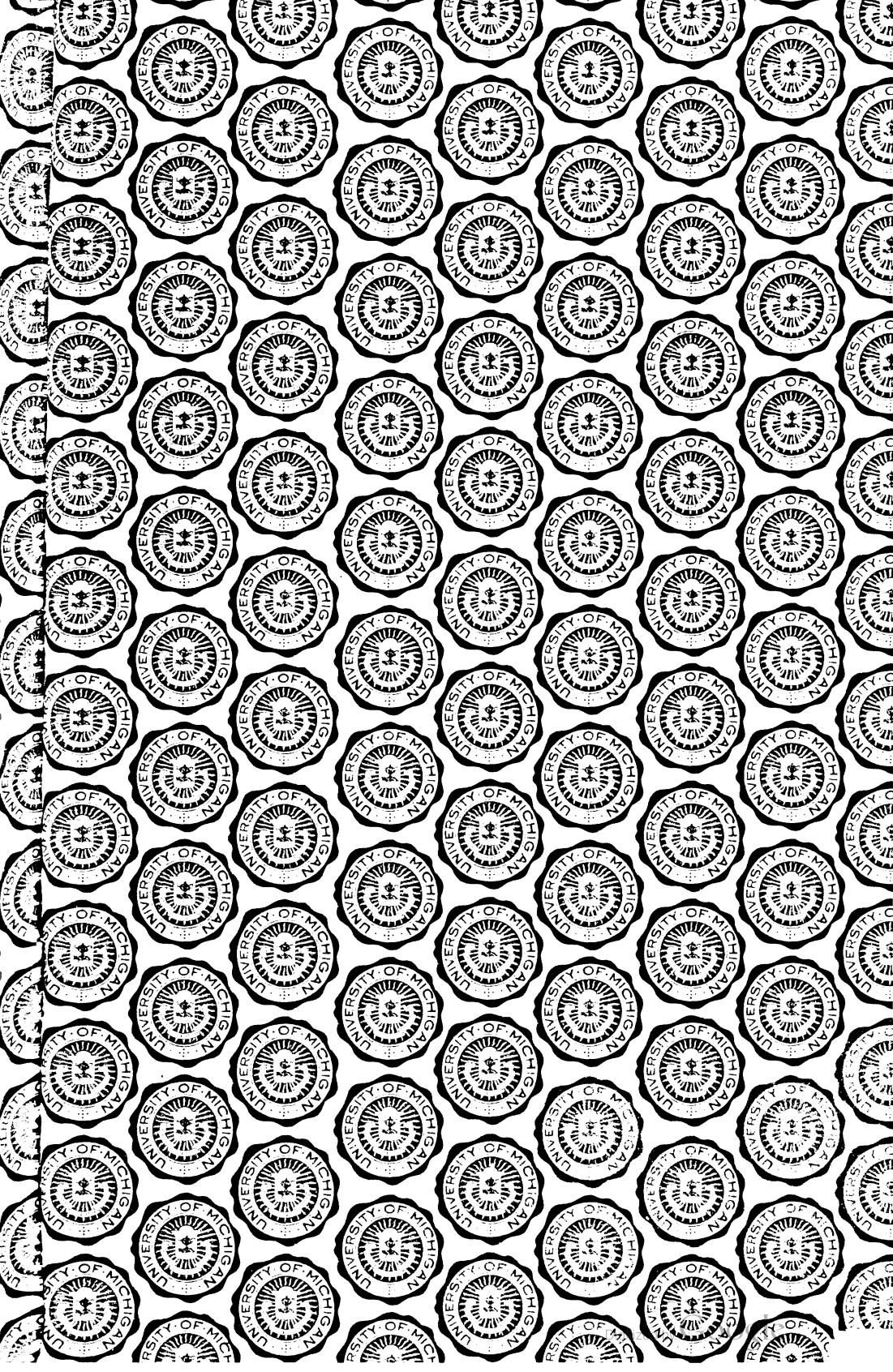
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INSTRUCTIONS
OF THE
U. S. COMPTROLLER OF THE CURRENCY

RELATIVE TO

THE ORGANIZATION OF
NATIONAL BANKS

1918



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1918

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INSTRUCTIONS RELATIVE TO THE ORGANIZATION OF NATIONAL BANKS.

(All sections cited refer to the United States Revised Statutes.)

ORGANIZATION.

The preliminary proceeding in connection with the organization of a national bank is to write to the Comptroller of the Currency requesting the reservation of the desired title and stating the location and the proposed capital.

It is the practice to reserve a title for 15 days, during which time it is expected a formal application will be filed.

If the nationalization of a State bank is contemplated, the request should indicate whether the bank is to be converted into a national bank or placed in liquidation and a national bank organized as its successor. If the State bank is to continue in existence and a separate national bank is to be organized, that fact should be stated.

The application must be signed by at least five persons who are prospective shareholders of the association, and preferably by individuals who are also to be officers or directors. It should be indorsed by three prominent public officials, preferably the mayor and the postmaster of the place where the bank is to be located, and a judge of court.

The exclusion of any professional promoters from the organization will be required, as an application to receive favorable consideration must represent a local demand for banking accommodations.

This office requires that those making application to organize a national bank transmit a draft, payable to the order of the Comptroller, to cover the expense of the investigation. Upon receipt of this draft the chief national-bank examiner for the district is directed to detail an examiner to make the investigation, the examiner being requested to arrange with the local correspondent in the case as to the date when the investigation is to be made.

The examiner, in passing upon the application, is instructed to give full consideration to all the features entering into each proposition. Among others are: First, the general character and experience of the applicants and of the proposed officers of the new bank;

second, the adequacy of existing banking facilities and the need of further banking capital; third, the outlook for the growth and development of the town or city in which the bank is to be located; fourth, the methods and banking practices of the existing bank or banks, the interest rates which they charge to customers, and the character of the service which as quasi-public institutions they are rendering to their community; fifth, the reasonable prospects for success of the new bank if faithfully and efficiently managed.

The following formal application for reservation of title and authority to organize a national bank will be furnished upon request:

APPLICATION TO ORGANIZE A NATIONAL BANK.

—, 19—.

TO THE COMPTROLLER OF THE CURRENCY,
Washington.

SIR: We, the undersigned, prospective shareholders, being natural persons and of lawful age, intend, with others, to organize a national banking association, under the title of "The _____," to be located at _____, county of _____, State of _____, with a capital of \$_____, to succeed the _____ bank of _____. Population, _____.

We request that the title be reserved for a period of sixty days and organization blanks and instructions be sent to _____, who is an actual resident of the place where the proposed bank is to be located.

Signatures of applicants.	Residences.	Business.	Financial strength, in figures.	Shares subscribed.

The signers of this application are known by me to be reputable citizens; the information in reference to their business and financial standing is in my opinion correct, the statement as to population authentic, and I am of the belief that the conditions locally are such as to insure success if the bank is organized and properly managed.

_____, *Judge of Court.*
_____, *Postmaster.*
_____, *Mayor.*

READ THESE INSTRUCTIONS CAREFULLY.

The name of the place should form a part of the title, thus, "The First National Bank of A_____, " but the name of the State should not be included.

Consideration will not be given to an application for a title including the word "First," if a national bank exists or has existed at the given locality; nor to an application for a title identical with that of a national bank heretofore in existence, nor to one materially similar to that of a national, State, or other bank existing in the place.

The application must be signed by at least five prospective shareholders, and should be indorsed by three prominent persons, judge of court, postmaster, and mayor, or other public officials.

The correspondent should be a resident of the place where the bank is to be located, a prospective shareholder, and, if possible, an officer or director of the proposed bank.

The following shows the national, State, or private bank with which the applicants are, or have been, connected.

Applicant.	Institution.	Period.

(Date) —— ——.

(Signed) —— ——,

* Correspondent.

* N. B.—The correspondent is requested to furnish, as early as possible, a list of the prospective officers and directors of the proposed organization and a statement showing their previous connection, if any, with other banking institutions.

Care must be exercised in giving information called for on the back of the application. The capacity in which the applicants were connected with other banks should be stated. The list of officers and directors should be promptly furnished as soon as the organization has progressed sufficiently to permit of their determination.

Organization expenses should not include any commissions paid for the sale of stock, or promotion fees, but only such legitimate other expenses as are incident to the actual organization of banks. The capital and surplus must be represented by actual money paid in. If any agreement, whether verbal or written, exists to use subsequently any part of the capital stock, surplus, or undivided profits to pay promoters' expenses, or commissions contracted prior to organization, this fact must be reported with the application for charter, as favorable consideration will not be given to any application if there is an agreement to pay expenses not properly allowable.

Information is also desired as to whether any of the applicants or other persons interested in any manner in the proposed organization have at any time been connected with, or interested in, the organization or attempted organization of any bank, either State or national; if so, the name of the bank or banks and the conditions under which they were organized should be stated.

If the organization is effected, the president and a majority of the directors should be residents of the place where the bank is located.

To avoid delay and unnecessary letter writing all correspondence relating to official matters should be conducted by the local correspondent directly with the Comptroller's office.

Printed headings on the stationery of the organizing bank should indicate clearly that the bank is "organizing" or bear the heading "Organizing Committee."

As the charter number should appear on the bank's permanent letterhead, stationery should not be ordered until the bank is chartered and the charter number obtained. Special numbers can not be reserved and the number can not be determined until the charter is issued.

When the application has been received at this office in proper form, an investigation will be made and the applicants will be advised as early as possible of the approval or disapproval of their application.

If the application receives the approval of the Comptroller, he will furnish all necessary blanks for use in effecting the organization, with instructions for their proper execution, and the title applied for will be reserved for 60 days, during which time it is expected the organization of the bank will be completed.

CAPITAL REQUIRED.

National banks with a minimum capital of \$25,000 may be organized in places the population of which does not exceed 3,000; with minimum capital of \$50,000 in places the population of which does not exceed 6,000; with minimum capital of \$100,000 in places the population of which does not exceed 50,000; and with minimum capital of \$200,000 in cities with population of over 50,000.

National banks organized in suburban districts included within the political boundaries of a city must have the amount of capital required by law for the city in question. (Opinion of Attorney General, June 6, 1913.)

STOCK SUBSCRIPTION LIST.

When the proposed incorporators have received advice of the approval of their application to organize, there may be formulated a subscription contract to be signed by the prospective shareholders, which, in addition to the signatures, should give each subscriber's occupation, address, net financial worth, and the number of shares subscribed. (Blanks for this purpose are not furnished by this office.)

The law requires that 50 per cent of the capital stock of a national bank shall be paid in cash and permits the payment of the additional 50 per cent in five equal monthly installments, but there would appear to be no objection to the incorporation in the subscription contract of a provision that the entire amount due on each share shall be paid at the call of the directors.

The Comptroller earnestly recommends to all organizing banks the advisability of selling the capital stock at a premium of 10 per cent or more for the purpose of creating a surplus from which may be paid the necessary expenditures for organization, which, together with the salaries of officers and employees, frequently result in an impairment of capital during the first year or two of a bank's existence.

In this connection emphasis is laid upon the desirability of restricting the investment in a bank building to economical and prudent limits and to an amount not out of proportion to the capital of the bank.

Where a surplus is not created by the payment of a premium on the stock, it is recommended that no dividends be paid until a substantial surplus has been accumulated from the earnings of the bank.

Where the stock is sold at a premium of 20 per cent, a bank is enabled at the first dividend period to distribute the net earnings without carrying any portion thereof to the surplus fund as provided by section 5199.

In case subscriptions to stock are paid in installments, temporary certificates may be issued and the amount of each payment credited thereon. When all installments have been paid the temporary certificates should be surrendered and canceled and permanent certificates of stock issued in lieu thereof.

The following is a form of temporary certificate in general use:

TEMPORARY CERTIFICATE.

This is to certify that _____ is entitled to _____ shares of the capital stock of the _____ National Bank of _____, capital \$_____, and that upon payment of all installments, amounting to \$_____, and surrender of this temporary certificate, a certificate of stock will be issued.

Witness the seal and the signatures of the president and cashier of the bank.
Dated _____, 19____.

The _____ National Bank of _____

PAYMENTS ON ACCOUNT OF CAPITAL.

Third " — " " — , " — , 19, — — ,

Fourth " — " — " — " — " — 19 — — —

Fourth, " " " " " 10, **Cashier.**

Sixth " — " —, " —, 19, — —,
Casher

ASSIGNMENT.

For value received I hereby transfer and assign to _____ this temporary certificate and hereby appoint and constitute _____ my true and lawful

attorney to transfer said certificate, with full power of substitution in the premises.

Dated at _____, this _____ day of _____, 19____.

Witness: _____.

Five persons at least are required to sign the articles of association, and those who sign the articles must sign and acknowledge the organization certificate. If a majority of the applicants are not interested in the bank as shareholders, a new application will be required. The organization certificate should be executed at the same time as the articles of association or subsequent thereto.

The articles of association and organization certificate, forms of which follow, should be executed in duplicate, one copy of each to be filed in the office of the Comptroller of the Currency and the other retained by the association.

The persons uniting to organize a national bank must be natural persons—that is, individuals who can legally hold and control property in their individual right—and not corporations, firms, or associations of any character.

The proportion of capital required for organization—that is, one-half—must be paid in money, and each subsequent installment must be so paid until all the capital is paid in. Promissory notes or other evidences of debt can not be taken in payment for subscriptions to capital stock.

Instead of providing, in section 3 of the articles of association, for the election of the first board of directors, the names of the directors may be given therein if the stockholders are agreed as to the persons who are to constitute the board. In this event the third article should read as follows:

The board of directors shall consist of _____ shareholders, and the following persons (here insert their names) are hereby appointed directors of this association, to hold their offices as such until the regular annual election takes place, pursuant to the fourth article of these articles of association, and until their successors are chosen and have qualified.

The third section, if desired, may be made to provide for what is termed a sliding scale instead of a fixed number of directors; in other words, a minimum and maximum number of directors, in which event the section should read as follows:

The board of directors shall consist of not fewer than (insert minimum number) nor more than (insert maximum number) shareholders; and the following persons (here insert their names) are hereby appointed directors of this association, to hold their offices as such until the regular annual election takes place, pursuant to the fourth article of these articles of association, and until their successors are chosen and have qualified. The number of directors elected at each annual meeting shall constitute the board for the year, all vacancies to be filled in accordance with the provisions of section 5148.

It will be seen that the only advantage of a sliding scale is that the shareholders are enabled to elect annually any number of directors within the limits of the scale. If a vacancy occurs it must be filled the same as though the articles called for a fixed number of directors.

ARTICLES OF ASSOCIATION.

(Executed in duplicate.)

For the purpose of organizing an association to carry on the business of banking under the laws of the United States, the undersigned subscribers for the stock of the association hereinafter named do enter into the following articles of association:

First. The title of this association shall be "The _____."

Second. The place where its banking house or office shall be located, and its operations of discount and deposit carried on, and its general business conducted, shall be _____.

Third. The board of directors shall consist of _____ shareholders. The first meeting of the shareholders for the election of directors shall be held at _____ on the _____, or at such other place and time as a majority of the undersigned shareholders may direct.

Fourth. The regular annual meetings of the shareholders for the election of directors shall be held at the banking house of this association on the second Tuesday of January of each year; but if no election shall be held on that day it may be held on any other day, according to the provisions of section 5149 of the Revised Statutes of the United States, and all elections shall be held according to such regulations as may be prescribed by the board of directors not inconsistent with the provisions of the national-banking law and of these articles.

Fifth. The capital stock of this association shall be _____ dollars, divided into shares of one hundred dollars each; but the capital may, with the approval of the Comptroller of the Currency, be increased at any time by shareholders owning two-thirds of the stock, according to the provisions of an act of Congress approved May 1, 1886; and in case of the increase of the capital of the association each shareholder shall have the privilege of subscribing for such number of shares of the proposed increase of the capital stock as he may be entitled to according to the number of shares owned by him before the stock is increased.

Sixth. The board of directors, a majority of whom shall be a quorum to do business, shall elect one of its members president of this association, who shall hold his office (unless he shall be disqualified, or be sooner removed by a majority vote of the board) for the term for which he was elected a director. The directors shall have power to elect a vice president, who shall also be a member of the board of directors, and who shall be authorized, in the absence or inability of the president from any cause, to perform all acts and duties pertaining to the office of president, except such as the president only is authorized by law to perform, and to elect or appoint a cashier and such other officers and clerks as may be required to transact the business of the association; to fix the salaries to be paid to them, and continue them in office, or to dismiss them as, in the opinion of a majority of the board, the interests of the association may demand.

The directors shall have power to define the duties of the officers and clerks of the association, to require bonds from them, and to fix the penalty thereof;

to regulate the manner in which elections of directors shall be held, and to appoint judges of the elections; to make all by-laws that it may be proper for them to make, not inconsistent with law, for the general regulation of the business of the association and the management of its affairs, and generally to do and perform all acts that it may be legal for a board of directors to do and perform under the Revised Statutes aforesaid.

Seventh. This association shall continue for the period of twenty years from the date of the execution of its organization certificate, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law.

Eighth. These articles of association may be changed or amended at any time by shareholders owning a majority of the stock of the association, in any manner not inconsistent with law; and the board of directors or any three shareholders may call a meeting of the shareholders for this or for any other purpose, not inconsistent with law, by publishing notice thereof for thirty days in a newspaper published in the town, city, or county where the bank is located, or by mailing to each shareholder notice in writing thirty days before the time fixed for the meeting.

In witness whereof we have hereunto set our hands this _____ day of _____.

(To be signed by at least five natural persons, preferably the applicants.)

_____.
_____.
_____.
_____.
_____.

_____.
_____.
_____.
_____.
_____.

ORGANIZATION CERTIFICATE.

[Executed in duplicate.]

We, the undersigned, whose names are specified in article fourth of this certificate having associated ourselves for the purpose of organizing an association for carrying on the business of banking, under the laws of the United States, do make and execute the following organization certificate:

First. The title of the association shall be "The _____."

Second. The said association shall be located in the _____ of _____, county of _____, and State of _____, where its operations of discount and deposit are to be carried on.

Third. The capital stock of this association shall be _____ dollars (\$_____), and shall be divided into _____ shares of one hundred dollars each.

Fourth. The name, financial worth—net, and the residence of each shareholder of this association, with the number of shares held, are as follows:

Name.	Financial worth—net.	Residence.	No. of shares.

NOTE.—The names, etc., of all the shareholders must be given.

Fifth. This certificate is made in order that we may avail ourselves of the advantages of the aforesaid laws of the United States.

In witness whereof we have hereunto set our hands this _____ day of _____.
(To be signed and acknowledged by those who have signed the articles of association.)

_____.
_____.
_____.
_____.
_____.

_____.
_____.
_____.
_____.
_____.

(Acknowledgment must be made before judge of court or notary public and authenticated by the seal of such court or notary.)

STATE OF _____.
County of _____ ss:

Before the undersigned, a _____ of _____, personally appeared _____, to me well known, who severally acknowledged that they executed the foregoing certificate for the purposes therein mentioned.

Witness my hand and seal of office this _____ day of _____.

[OFFICIAL SEAL OF OFFICER.]

The association will have succession for a period of 20 years from the date of the execution of the organization certificate, and not from the date of the certificate of the Comptroller of the Currency authorizing the bank to commence business. (See sec. 5136.)

The name, etc., of each subscriber to the stock is required to be given in the fourth subdivision. Signatures are not desired and the names should be typewritten if practicable. Each person who signs the articles of association is also required to sign the organization certificate and make acknowledgment before a judge of court of record or a notary public having a seal.

Inasmuch as the laws of the several States differ as to the rights of married women in regard to their separate estates and property, and as to the effect of covenants and agreements made by them, and also as to the forms of acknowledgment of instruments executed by them, any organization papers bearing the signatures of women must be accompanied by evidence that under the laws of the State they have the power to be parties to the organization.

The authority of a guardian or trustee to subscribe for stock must be shown in every case, giving, if necessary, the order of court authorizing such subscriptions. In cases where a guardian subscribes for a ward, the name of the ward should be given, and in the case of a trustee subscribing for stock the name of the beneficiary of the trust should be given. Stock subscriptions should not be taken in the name of an estate. If the heirs of an estate subscribe for stock, it should be taken in their individual names. If it is subscribed for by the executor, his authority to make such subscription should be shown. An administrator has no authority to subscribe for stock, as his duty is merely to close up the estate and to distribute the property among the heirs, and he has no authority to make invest-

ments. No subscriptions to stock should be received in the name of any State, county, township, or municipality.

Where stock is subscribed for in the name of an order or association, it will be necessary to furnish evidence that said order or society is authorized by its articles or charter to subscribe for the stock and also that it is legally and financially responsible for assessment thereon in case one becomes necessary under the national-bank act.

When the organization of a bank is effected and stock subscriptions paid, certificates should be issued in the names of the shareholder, and for the numbers of shares of stock listed in the organization certificate, transfers to be made in the regular manner in the case of any stock which changes ownership.

DIRECTORS.

After the execution of the organization certificate, if the directors are not designated in the articles of association, the shareholders should proceed to elect directors as provided in section 5145. Each director must, after his election or appointment (but not prior to the date of acknowledgment of the organization certificate), take an oath of the following form:

OATH OF DIRECTOR.

STATE OF _____,
County of _____, ss:

I, the undersigned, director of The _____, located at _____, being a citizen of the United States, and resident of the State of _____, do solemnly swear (affirm) that I will, so far as the duty devolves on me, diligently and honestly administer the affairs of said association; that I will not knowingly violate, or willingly permit to be violated, any of the provisions of the statutes of the United States under which this association has been organized; and that I am the owner in good faith and in my own right, of the number of shares of stock required by said statutes, subscribed by me or standing in my name on the books of the said association; and that the same is not hypothecated or in any way pledged as security for any loan or debt.

Subscribed and sworn (affirmed) to before the undersigned this _____ day of _____, 19____.

[OFFICIAL SEAL OF OFFICER.]

_____,
Notary Public.

NOTE.—Each director when elected must take oath of office, and, under section 5147, U. S. R. S., the oath should be transmitted to the Comptroller of the Currency immediately after the election. If the officer administering the oath has no seal, a certificate of the proper State, county, or court official, to the effect that such officer is authorized to take acknowledgments, must be attached.

In case two or more directors qualify jointly the following form should be used:

OATH OF DIRECTORS.

STATE OF _____,

County of _____, ss:

We, the undersigned, directors of The _____, located at _____, being citizens of the United States, and all residents of the State of _____, do, each for himself, and not one for the other, solemnly swear (affirm) that we will severally, so far as the duty devolves on us, diligently and honestly administer the affairs of said association; and that we will not knowingly violate, or willingly permit to be violated, any of the provisions of the statutes of the United States under which said association has been organized; and each, for himself, does solemnly swear (affirm) that he is the owner in good faith, and in his own right, of the number of shares of stock required by said statutes, subscribed by him or standing in his name on the books of the said association; and that the same is not hypothecated, or in any way pledged as security for any loan or debt.

Signature.	Signature.

Subscribed and sworn (affirmed) to before the undersigned this — day of _____, 19—.

[OFFICIAL SEAL OF OFFICER.]

_____,
Notary Public.

Every director must own in his own right at least 10 shares of the capital stock of the association of which he is a director, unless the capital of the bank shall not exceed \$25,000, in which case he must own in his own right at least 5 shares of such capital stock. Any director who ceases to be the owner of the required number of shares of the stock, or who becomes in any other manner disqualified, thereby vacates his place under section 5146 as amended February 28, 1905, and the vacancy should be at once filled by the remaining directors under section 5148. The former director may be re-appointed if his disqualification has been removed.

At least three-fourths of the directors must have resided in the State, Territory, or District in which the association is located for a year or more immediately preceding their election, and must be residents therein during their continuance in office.

In all elections of directors, and in deciding all questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him. Under section 5144, shareholders may vote by proxies duly authorized in writing, but no officer, clerk, teller, or bookkeeper of the association can act as proxy, and no shareholder whose liability is past due and unpaid shall be allowed to vote.

The Comptroller, supported by certain decisions of the courts, holds that a director is an officer within the meaning of said section, and, furthermore, that the prohibition with regard to the voting of stock by a shareholder who is liable to the bank merely applies to subscriptions to capital stock.

Cumulative voting at meetings of shareholders is not authorized by the national-bank act. For instance, if a shareholder is the owner of 10 shares of stock and 7 directors are to be elected, he can not cast 70 votes in favor of any one person as a director, but is at liberty only to cast 10 votes for each of the 7 candidates.

FORM OF PROXY.

Know all men by these presents that I, _____, do hereby constitute and appoint _____ attorney and agent for me, and in my name, place, and stead to vote as my proxy at any and all elections of directors of _____ according to the number of votes I should be entitled to vote if there personally present.

In witness whereof I have hereunto set my hand this _____ day of _____, one thousand nine hundred and _____.

Signed in presence of—

_____.
_____.

The directors having been elected, made payment of at least 50 per cent on the requisite number of shares, and taken the required oath, should, as soon as practicable, elect a president and vice president of the association, a cashier, and such other officers as may be desired, a report of the election, with signatures, of officers being required, in the following form:

OFFICIAL SIGNATURES OF OFFICERS OF THE _____, LOCATED AT _____, IN THE STATE OF _____.

Original signatures.	Date of election or appointment.	Names of predecessors.

[SEAL OF BANK.]

IMPORTANT.

The following instructions should be observed to avoid return of paper for correction: (1) Insert title and place of location of bank. (2) Give the signatures of officers, with date of election or appointment. (3) In case of a vacancy, the word "None" should appear in the space for the signature of the officer. (4) Affix seal of bank in the space designated. (5) The signatures of all of the officers, with date of election or appointment of each, and name of predecessor, in case of a change, are required.

When at least 50 per cent of the capital stock of the association is paid in cash, not in assets of another corporation, notes, or other like evidences of debt, each shareholder or his assignee having paid not less than one-half on each share subscribed (certifications need not be confined originally to 50 per cent, and subsequently to 10 per cent of capital stock, larger payments and in advance of the prescribed time being permissible), and all other legal requirements complied with, a certificate, in substantially the following form, should be executed and sworn to by the president, or cashier, and a majority of the directors and sent to the Comptroller. The certificate should cover all amounts paid in on capital, but should not include any amount paid in as surplus, or any interest which may have been received on funds collected.

CERTIFICATE OF PAYMENT OF CAPITAL STOCK AND COMPLIANCE WITH LEGAL REQUIREMENTS

The undersigned officers and directors of The _____, located at _____, now organizing under the provisions of the Revised Statutes of the United States authorizing the organization of national banking associations, do hereby certify that of the authorized capital stock of \$_____ there has been paid into said bank in cash, as permanent capital, \$_____, exclusive of any payments on surplus, and that no part of this sum is represented by promissory notes or other evidences of debt; and that each shareholder has individually paid in cash fifty per cent of his stock subscription; also, that the name and place of residence of each director, and the amount of stock individually owned in good faith, are as follows:

Name of director. ^s	Place of residence. (Town or city and State.)	Number of shares of stock.

c The names, etc., of all the directors of the association must appear on this page. A majority of the directors, exclusive of the president or cashier, must sign on the following page and make acknowledgment.

It is further certified that the association has in good faith complied with all of the provisions that are required to be complied with before receiving authority to commence the business of banking.

President, or Cashier.

STATE OF —————,

County of —————, 88:

Before the undersigned, a _____ of _____, personally appeared the above-named directors and other officers of the aforesaid national bank, and made

oath that the foregoing certificate and the matters and things therein set forth are true, to the best of their knowledge and belief.

Witness my hand and seal of office this _____ day of _____, 19____.

[OFFICIAL SEAL OF OFFICER.]

It will also be necessary to send to this office a statement showing the total amount collected on stock subscriptions. The difference between this amount and the expenditures in connection with the organization should be deposited with a disinterested bank, and the president or cashier of the depositary bank requested to certify to this office the amount on deposit to the credit of the organizing bank. The depositary bank should also be requested to advise this office whether any loan was made to any of the officers, directors, or stock-holders of the new institution, and, if so, on what security.

As to payment and certification of subsequent installments on account of capital, see page 20.

The foregoing instructions apply solely to new organizations. The method of procedure and forms necessary in conversion of a State bank, under the provisions of section 5154, as amended by section 8 of the Federal reserve act, approved December 23, 1913, will be found elsewhere.

DEPOSIT OF BONDS.

Under section 17 of the Federal reserve act approved December 23, 1913, it is not necessary for a national bank to purchase and deposit bonds with the Treasurer of the United States unless it is desired to take out circulating notes.

If it is proposed to take out circulation, bonds should be sent to the Comptroller of the Currency for transfer to and deposit with the Treasurer of the United States in trust for the association to the account of which they are to be credited. In assigning bonds care should be exercised to enter the exact corporate title of the association.

Coupon bonds can be exchanged for registered bonds by sending them to the Comptroller of the Currency with a request for their exchange and that the registered bonds be issued to and deposited with the Treasurer of the United States in trust for the association interested.

The Treasurer of the United States will pay the interest, by check, to the order of the bank, payable at the office of any United States assistant treasurer or at any United States depository.

Bonds to be deposited as security for circulation can not be procured from the Treasury Department, but may be purchased at current prices from dealers in securities of that character.

The following described issues of United States bonds only are available as security for circulating notes:

United States twos of 1930; Panama Canal twos of 1936; Panama Canal twos of 1938; and United States fours of 1925.

Circulation secured by United States twos of 1930, and Panama Canal bonds bearing interest at the rate of 2 per cent, authorized by the act of June 28, 1902, is subject to a semiannual tax of one-fourth of 1 per cent, and circulation otherwise secured, to a semiannual tax of one-half of 1 per cent, as provided by section 5214.

Panama Canal threes issued under the act of August 5, 1909, postal savings bonds issued under the act of June 25, 1910, and "Liberty" bonds authorized by the act of April 24, 1917, and subsequent acts, are not receivable as security for circulation.

WITHDRAWAL OF BONDS.

The law permits national-banking associations to retire their circulating notes and withdraw bonds held by the Treasurer of the United States in trust, with the consent of the Comptroller of the Currency and the approval of the Secretary of the Treasury, upon deposit of a like amount of lawful money with the Treasurer or an Assistant Treasurer of the United States, to provide for the redemption of the currency secured by such bonds.

Authority to withdraw the bonds must be conferred upon the Comptroller of the Currency by the board of directors, and some one other than a Government official designated to sell and assign them. If an official of the bank is authorized to dispose of the bonds, the resolution should be certified by some officer of the association other than the one empowered to assign the bonds.

A copy of the resolution adopted by the directors authorizing the withdrawal of bonds should be sent to the office of the Comptroller of the Currency, accompanied by the Treasurer's duplicate receipts for the securities. If the receipts have been lost or destroyed an affidavit to that effect must be sent with the resolution.

AUTHORITY TO WITHDRAW BONDS.

_____, 19.

At a meeting of the board of directors of the _____ Bank of _____, held at their banking house, _____, 19, the following resolution was adopted:

Resolved, That the Comptroller of the Currency be, and he is hereby, authorized to withdraw \$_____ U. S. bonds, deposited with the Treasurer of the United States by this bank to secure circulation, and described as follows:

\$_____ of the loan of _____
 \$_____ of the loan of _____
 \$_____ of the loan of _____
 \$_____ of the loan of _____

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and that _____ be, and is hereby authorized to sell, assign, and transfer the bonds, and to appoint one or more attorneys for that purpose.

I hereby certify that the foregoing is a true extract from the minutes of said meeting.

Cashier, and Secretary of the Board of Directors.

[SEAL OF BANK.]

NOTE.—The Treasurer's receipts for the bonds proposed to be withdrawn must be forwarded (with this form properly filled) to the Comptroller of the Currency.

WITHDRAWAL OF BONDS UNDER SECTION 18 OF THE FEDERAL RESERVE ACT.

Section 18 of the Federal reserve act provides that any member bank desiring to retire the whole or any part of its circulating notes may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired.

The Federal Reserve Board is permitted in its discretion to require Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer of the United States, the Federal reserve banks, however, not being permitted to purchase an amount to exceed \$25,000,000 of such bonds in any one year.

CIRCULATING NOTES.

National banking associations are entitled to receive and issue circulating notes equal to the par value of the bonds deposited, not exceeding the amount of the paid-in capital stock, but no bank shall receive or have in circulation at any one time more than \$25,000 in notes of the denomination of \$1 and \$2.

For information as to taxation of circulating notes see "Deposit of bonds."

ORIGINAL ORDER FOR PLATES AND CIRCULATION.

Charter No. _____

_____ NATIONAL _____ BANK OF _____, 19____.

To the COMPTROLLER OF THE CURRENCY.

SIR: You are requested to have plates engraved for this bank, and circulating notes printed therefrom, as follows:

No. of sheets ordered.	Denominations on sheets.	Value per sheet.	Amount of order.
	\$1, \$1, \$1, \$1.....	\$4	
	\$2, \$2, \$2, \$2.....	8	
	\$5, \$5, \$5, \$5.....	20	
	\$10, \$10, \$10, \$10.....	40	
	\$10, \$10, \$10, \$20.....	50	
	\$50, \$50, \$50, \$100.....	250	
	Total.....		

Respectfully,

— — — — —
Cashier.

NOTE.—The act of October 5, 1917, provides for the issuance of \$1 and \$2 notes, repealing the act of June 3, 1864, which prohibited national banks from being furnished with notes of less denomination than \$5 after the resumption of specie payments.

Circulation may be ordered from any one or more of the plates listed above, but no bank shall receive or have in circulation at any one time more than \$25,000 in notes of the denominations of \$1 and \$2.

The restriction as to the issue of \$5 notes to one-third of a bank's circulation has been repealed, and notes of that denomination may be issued in any amount desired not in excess of the capital stock against the deposit of bonds.

It will ordinarily require about 40 days to engrave the plate and to print circulating notes, but the order will not be acted upon until either bonds are deposited for circulation or a draft in payment of cost of engraving is received by the Comptroller.

Bank plates cost \$130 each for originals and \$120 each for duplicates when the originals are worn out.

CERTIFICATE OF AUTHORITY TO COMMENCE BUSINESS.

All organization papers having been filed, the Comptroller of the Currency, if satisfied from the examiner's report that the association has complied with the requirements of law, and that the shareholders have, in good faith, organized for the legitimate objects contemplated by the bank act, will give to the association a certificate authorizing it to commence the business of banking (secs. 5168, 5169). This certificate, upon its receipt, must be published in a local or county newspaper, as required by section 5170, and proof of publication sent to the Comptroller at the proper time.

This and other certificates referred to elsewhere may be published for the period of time required by law, either in a weekly newspaper, a weekly edition of a daily newspaper, or in every issue of a daily having no weekly edition.

The certificate of authority to commence business or, as is generally understood, the charter issued to a national banking association, reads as follows:

No. — — —

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, — — — — —, 19—.

Whereas, by satisfactory evidence presented to the undersigned, it has been made to appear that—

The — — — — —, located in the — — — of — — —, in the county of — — — and State of — — —, has complied with all the provisions of the statutes of the United States required to be complied with before an association shall be authorized to commence the business of banking.

Now, therefore, I, —— ——, Comptroller of the Currency, do hereby certify that—

The —— ——, located in the —— of ——, in the county of —— and State of ——, is authorized to commence the business of banking, as provided in section fifty-one hundred and sixty-nine of the Revised Statutes of the United States.

In testimony whereof witness my hand and seal of office this — day of —, 18—.

[SEAL.]

_____,
Comptroller of the Currency.

COMMENCEMENT OF BUSINESS.

The association having received authority to commence the business of banking, it is presumed that a suitable banking house or room has been secured, and also a vault or safe, which should be burglar and fire proof. In ordering stationery, provision should be made for the printing of the charter number of the bank on letter heads. The Comptroller should be promptly advised of the date on which the bank begins business. Notification blank for the purpose is furnished.

PAYMENT OF CAPITAL.

The certificate of officers and directors, a form for which is given elsewhere, is the certificate of the payment in cash of the first installment of the capital. The five remaining installments must also be paid in money and certified to the Comptroller by the president or cashier, under seal of the bank. Installments are due monthly from the date of the issuance of his certificate of authority to commence business (sec. 5140).

The form of installment certificate is as follows:

CERTIFICATE OF PAYMENT OF CAPITAL STOCK.

_____, 19—.

TO THE COMPTROLLER OF THE CURRENCY,

Washington, D. C.

SIR: It is hereby certified that the ——th installment, amounting to —— dollars, has been paid in cash on account of the capital stock of The —— ——, located at —— ——, the certification of payments to date being as follows:

First installment (at organization), \$ ——.

Second installment, \$ ——.

Third installment, \$ ——.

Fourth installment, \$ ——.

Fifth installment, \$ ——.

Sixth installment, \$ ——.

Total, \$ ——.

_____,
Cashier.

STATE OF ——.

County of ——, ss:

Subscribed and sworn to this ____ day of ____, 19____.

[OFFICIAL SEAL OF OFFICER.]

Notary Public.

NOTE.—The second and subsequent payments need not be restricted to 10 per cent each, as the capital stock of the bank may be paid, if desired, in advance of the time required by law. Do not include in certificates a fraction of a dollar or any payments on surplus.

No payments on account of subscriptions to the capital stock should be carried to stock account, or entered in reports of condition as capital stock, until date of certification to this office. Pending such certification payments should be carried in a separate account to the credit of shareholders and entered in reports to this office as "Liabilities other than those stated."

For the legal method of enforcing the payment of subscriptions to capital stock see section 5141, U. S. R. S.

INCREASE OF CAPITAL STOCK.

A national banking association may, with the consent of the Comptroller of the Currency and by a vote of shareholders owning two-thirds of the shares, increase its capital stock to any sum approved by the Comptroller.

An association that contemplates increasing its capital stock should advise the Comptroller before formally submitting the question to the shareholders, and if the proposition is approved he will furnish necessary blanks and instructions. (See notice of shareholders' meeting.)

No increase is valid until the whole amount is paid *in cash*, certified to the Comptroller, and his certificate of approval is issued. (Sec. 5142; also act of Congress approved May 1, 1886.)

A portion of a proposed increase will not be approved by the Comptroller. The whole amount, as stated in the resolution adopted by the vote of the shareholders, must be paid in and the payment certified to the Comptroller. The increase becomes valid upon the issuance of the Comptroller's certificate of approval, prior to which no change should be made in the capital stock account nor certificates of stock issued. If any assets of another bank are to be taken over in connection with the increase an examination to determine their character and value will be required, and no assets may be purchased that are not in conformity with law and approved by the examiner.

In increasing the capital stock of a bank neither the surplus fund nor the undivided profits can be used except by the declaration of a dividend by the board of directors in the regular course, in which event the shareholders, if they so desire, may use the dividend

checks in payment, to that extent, of their subscriptions to the additional stock. If dividend checks are accepted in payment of subscriptions to new stock, the certificate covering payment of the money should be accompanied by a complete report of the dividend and advice that all dividend checks have been indorsed by the shareholders and returned to the bank.

Such portion only of the surplus fund as exceeds the amount required by law to be accumulated (20 per cent of the capital) can be capitalized in the manner indicated.

RESOLUTION TO INCREASE CAPITAL STOCK.

No. —.

At a meeting of the shareholders of The —— National —— Bank of ——, held on ——, thirty days' notice of the proposed business having been given, it was

Resolved, That, under the provisions of the act of May 1, 1886, the capital stock of this association be increased in the sum of \$—, making the total capital \$—.

The foregoing resolution was adopted by the following vote, representing not less than two-thirds of the capital stock of the association, no director, other officer, or employee having acted as proxy:

Name of shareholder.	Residence.	Name of proxy.	No. of shares.
Total number of shares voted in favor of the resolution.....			
Total number of shares voted against the resolution.....			
Total number of shares represented at the meeting.....			
Total number of shares of capital stock.....			

I hereby certify that this is a true and correct report of the vote and of the resolution adopted at a meeting of the shareholders of this bank held on the date mentioned.

[SEAL OF BANK.]

_____,
President or Cashier.

Subscribed and sworn to before me, this —— day of ——, A. D. 19—.

[SEAL OF NOTARY.]

_____,
Notary Public.

CERTIFICATE OF INCREASE OF CAPITAL STOCK.

No. —.

— NATIONAL —— BANK OF ——,
— ——, 19—.

To the COMPTROLLER OF THE CURRENCY,

Washington, D. C.

It is hereby certified that the capital stock of —— National —— Bank of —— has been increased pursuant to the provisions of the act of Congress approved May 1, 1886, in the sum of —— dollars, all of which has been paid

in cash, not in promissory notes or other like evidences of debt, and that the paid-up capital stock of the bank now amounts to _____ dollars.

[SEAL OF BANK.]

_____,
President or Cashier.

STATE OF _____,

County of _____, ss:

Subscribed and sworn to before me, this _____ day of _____, A. D. 19____.

[SEAL OF NOTARY.]

_____,
Notary Public.

REDUCTION OF CAPITAL STOCK.

A national banking association may, with the consent of the Comptroller of the Currency and of the Federal Reserve Board, and by a vote of shareholders owning not less than two-thirds of the shares, reduce its capital stock to any sum not below the minimum amount required by the national-bank act. The reduction becomes operative upon the issuance of the Comptroller's certificate of approval, prior to which the circulation of the bank must be reduced (if excessive) to not more than the amount of the capital after reduction, by a deposit of lawful money with the Treasurer of the United States and the withdrawal of a like amount of bonds.

Upon transmitting a copy of the resolution adopted by the directors authorizing the withdrawal of bonds it should be accompanied by the Treasurer's duplicate receipts for the securities. If the receipts have been lost or destroyed an affidavit to that effect must be sent with the resolution.

An association that contemplates reducing its capital stock should advise the Comptroller of the proposed action before formally submitting the question to the shareholders, and the application for authority to reduce the capital should be accompanied by a letter from the Federal reserve bank of the district giving its views with reference to the proposed reduction. If the proposition is approved, the necessary blanks and instructions will be furnished. (See notice for shareholders' meeting.)

RESOLUTION TO REDUCE CAPITAL STOCK.

No. ____.

THE _____ NATIONAL _____ BANK OF _____,
(Date.) _____.

At a meeting of the shareholders of The _____ National _____ Bank of _____, held on _____, thirty days' notice of the proposed business having been given, at which shareholders were present representing _____ shares of stock of this association, it was

Resolved, That, under the provisions of section 5143, United States Revised Statutes, and of the acts amendatory thereof, the capital stock of this association be reduced in the sum of \$_____, leaving the total capital after said reduction \$_____.

The foregoing resolution was adopted by the following vote, representing not less than two-thirds of the capital stock of the association, no director, other officer, or employee having acted as proxy.

Name of shareholder.	Residence.	Name of proxy.	No. of shares.
Total number of shares voted in favor of the resolution.....			
Total number of shares voted against the resolution.....			
Total number of shares represented at the meeting.....			
Total number of shares of capital stock			

I hereby certify that the foregoing is a true and correct report of the vote and of the resolution adopted at a meeting of the shareholders of this bank, held on _____.

[SEAL OF BANK.]

_____,
President or Cashier.

Subscribed and sworn to before me this _____ day of _____, A. D. _____.

[OFFICIAL SEAL OF OFFICER.]

_____,
Notary Public.

No part of the capital set free by reduction can be carried to surplus or to undivided profits without the unanimous consent of the shareholders. When the reduction is made the shareholders should return their old stock certificates. New certificates for the capital as reduced should then be issued. The issuance of fractional shares is not unlawful but is a matter for determination by the board of directors.

BY-LAWS.

When a bank is organized the board of directors should adopt by-laws, and send a copy to the Comptroller of the Currency. (Sec. 5136, par. 6.) The following is submitted as a general form that may be modified in any manner deemed expedient, but not in conflict with law or the articles of association:

GENERAL FORM OF BY-LAWS OF NATIONAL BANKS.

BY-LAWS OF THE [HERE INSERT THE TITLE OF THE BANK], ORGANIZED UNDER THE NATIONAL-BANKING LAWS OF THE UNITED STATES.

ELECTIONS.

SECTION 1. The regular annual meetings of the shareholders of this bank for the election of directors shall be held at its banking house on the day in January of each year provided in the articles of association, between the hours of 10 and 4 of said day. It shall be the duty of the board of directors, within one month prior to the time of said election, to appoint three shareholders to be judges of said election, who shall hold and conduct the same, and who shall, after the election has been held, notify under their hands the cashier of this bank of the result thereof and the names of the directors elect.

SEC. 2. The cashier, upon receiving the returns of the judges of the elections as aforesaid, shall cause the same to be recorded upon the minute book of the bank, and shall notify the directors elect of their election and of the time at which they are required to meet at the banking house of the bank for the purpose of organizing the new board. If at the time fixed for the meeting of the directors elect there is not a quorum in attendance, the members present may adjourn from time to time until a quorum is secured, and no business shall be transacted prior to taking the oath of office as prescribed by law.

SEC. 3. If, for any cause, the annual election of directors is not held on the date fixed in the articles of association, the directors in office shall order an election to be held on some other day, of which special election notice shall be given in accordance with the requirements of section 5149, United States Revised Statutes, judges appointed, returns made and recorded, and the directors elect notified, according to the provisions of sections one and two of these by-laws.

OFFICERS.

SEC. 4. The officers of this bank shall be a president, vice president (who shall be members of the board of directors), cashier, and such other officers as may be from time to time required for the prompt and orderly transaction of its business, to be elected or appointed by the board of directors, by whom their several duties shall be prescribed.

SEC. 5. The president shall hold his office for the current year for which the board of which he shall be a member was elected, unless he shall resign, become disqualified, or be removed; and any vacancy occurring in the office of president or in the board of directors shall be filled by the remaining members.

SEC. 6. The cashier and the subordinate officers and clerks shall be appointed to hold their offices, respectively, during the pleasure of the board of directors.

SEC. 7. The cashier of this bank shall be responsible for all the moneys, funds, and valuables of the bank, and shall give bond, with security to be approved by the board, in the penal sum of _____ dollars, conditioned for the faithful and honest discharge of his duties as such cashier, and that he will faithfully apply and account for all such moneys, funds, and valuables, and deliver the same to the order of the board of directors of this bank, or to the person or persons authorized to receive them.

SEC. 8. The president of this bank shall be responsible for all such sums of money and property of every kind as may be intrusted to his care or placed in his hands by the board of directors or by the cashier, or otherwise come into his hands as president, and shall give bond, with security to be approved by the board, in the penal sum of _____ dollars, conditioned for the faithful discharge of his duties as such president, and that he will faithfully and honestly apply and account for all sums of money and other property of this bank that may come into his hands as such president, and pay over and deliver the same to the order of the board of directors, or to any other person or persons authorized by the board to receive the same.

SEC. 9. The teller shall be responsible for all such sums of money, property, and funds of every description as may from time to time be placed in his hands by the cashier, or otherwise come into his possession as teller; and shall give bond, with security to be approved by the board, in the penalty of _____ dollars, conditioned for the honest and faithful discharge of his duties as teller, and that he will faithfully apply, account for, and pay over all moneys, property, and funds of every description that may come into his hands, by virtue of his office as teller, to the order of the board of directors aforesaid,

or to such person or persons as may be authorized to demand and receive the same.

SEAL.

SEC. 10. The following is an impression of the seal adopted by the board of directors of this bank:

{Impression
of seal.}

CONVEYANCE OF REAL ESTATE.

SEC. 11. All transfers and conveyances of real estate shall be made by the association, under seal, in accordance with the orders of the board of directors, and shall be signed by the president or cashier.

INCREASE OF STOCK.

SEC. 12. Whenever an increase of stock shall be determined upon, in accordance with law, it shall be the duty of the board to notify all the shareholders of the same, and to cause a subscription to be opened for such increase of capital. In the increase of capital each shareholder shall have the privilege of subscribing for such number of shares of the new stock as he may be entitled to subscribe for, according to his existing stock in the bank. If any shareholder fails to subscribe for the amount of stock to which he may be entitled, the board of directors may determine what disposition shall be made of the privilege of subscribing for the unsubscribed stock.

BANKING HOURS.

SEC. 13. This bank shall be opened for business from — o'clock a. m. to — o'clock p. m. of each day of the year, excepting Sundays and days recognized by the laws of this State as holidays.

DIRECTORS' MEETINGS.

SEC. 14. The regular meetings of the board of directors shall be held on the — of each month. When any regular meeting of the board of directors falls upon a holiday, the meetings shall be held on such other day as the board may previously designate. Special meetings may be called by the president, cashier, or at the request of three or more directors.

DISCOUNT COMMITTEE.

SEC. 15. There shall be a committee, to be known as the discount committee, consisting of the president, cashier, and — directors appointed by the board every — months, to continue to act until succeeded, who shall have power to discount and purchase bills, notes, and other evidences of debt, and to buy and sell bills of exchange; and who shall, at each regular meeting of the board of directors, submit in writing a report of all bills, notes, and other evidences of debt discounted and purchased by them for the bank since their last report. The board of directors shall approve or disapprove the report of the discount committee, such action to be recorded in the minutes of the meeting.

MINUTE BOOK.

SEC. 16. The organization papers of this bank, the returns of the judges of the elections, the proceedings of all regular and special meetings of the direc-

tors and of the shareholders, the by-laws and any amendments thereto, and reports of the committees of directors shall be recorded in the minute book; and the minutes of each meeting shall be signed by the president and attested by the cashier.

TRANSFERS OF STOCK.

SEC. 17. The stock of this bank shall be assignable and transferable only on the books of this bank, subject to the restrictions and provisions of the national banking laws; and a transfer book shall be provided in which all assignments and transfers of stock shall be made.

SEC. 18. Transfers of stock shall not be suspended preparatory to the declaration of dividends; and, unless an agreement to the contrary shall be expressed in the assignments, dividends shall be paid to the shareholders in whose name the stock shall stand at the date of the declaration of dividends.

SEC. 19. Certificates of stock, signed by the president and cashier, may be issued to shareholders, and the certificates shall state upon the face thereof that the stock is transferable only upon the books of the bank; and when stock is transferred, the certificates thereof shall be returned to the bank, canceled, preserved, and new certificates issued.

EXPENSES.

SEC. 20. All the current expenses of the bank shall be paid by the cashier, who shall every six months, or oftener if required, make to the board a detailed statement thereof.

CONTRACTS.

SEC. 21. All contracts, checks, drafts, etc., and all receipts for circulating notes received from the Comptroller of the Currency shall be signed by the president or cashier.

EXAMINATIONS.

SEC. 22. There shall be appointed by the board of directors a committee of _____ members, exclusive of the president and cashier, whose duty it shall be to examine every six months the affairs of this bank, count its cash, and compare its assets and liabilities with the accounts of the general ledger, ascertain whether the accounts are correctly kept, and the condition of the bank corresponds therewith, and whether the bank is in a sound and solvent condition, and to recommend to the board such changes in the manner of doing business, etc., as shall seem to be desirable; the result of which examination shall be reported in writing to the board at the next regular meeting thereafter.

SEC. 23. The board of directors shall have power to change the form of the books and accounts when deemed expedient and define the manner in which the affairs of the bank shall be conducted.

QUORUM.

SEC. 24. A majority of all the directors is required to constitute a quorum to do business. Should there be no quorum at any regular or special meeting, the members present may adjourn from day to day until a quorum is in attendance. In the absence of a quorum no business shall be transacted.

CHANGES IN BY-LAWS.

SEC. 25. These by-laws may be changed or amended by the vote of a majority of the directors.

CONVERSION OF STATE BANKS.

Section 5154, U. S. R. S., as amended by section 8 of the Federal reserve act provides that—

Any bank incorporated by special law of any State or of the United States or organized under the general laws of any State or of the United States and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the existing laws may, by the vote of the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association, with the approval of the Comptroller of the Currency, be converted into a national banking association, with any name approved by the Comptroller of the Currency: *Provided, however,* That said conversion shall not be in contravention of the State law.

The articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of fifty-one per centum of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a national association. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a national association.

The Solicitor of the Treasury has held that a trust company organized under State laws may be permitted to convert into a national bank under the provisions of this section, provided it complies with all the conditions of law, and divests itself of all its trust company business, except such as the Federal Reserve Board might specifically authorize it to retain as provided by the Federal reserve act.

In the conversion of a State bank there is not a dissolution of the State corporation, but merely a change of title and governmental supervision; the bank is liable for all obligations and may enforce all contracts made with it while a State corporation. (See *Metropolitan National Bank v. Claggett*, 141 U. S., 520.) In the case of *Casey v. Galli* (94 U. S., 673) the Supreme Court of the United States held that no authority from a State is necessary to enable a State bank to become a national banking association. However, under the provisions of section 5154 U. S. R. S., as amended by the Federal reserve act, a State bank can not be converted into a national bank if such conversion is forbidden by the laws of the State.

If preferred, the State bank may be placed in voluntary liquidation in conformity with State law, and a national bank organized which, when chartered, may acquire the lawfully purchasable assets of the former and, as in the case of conversion, there need be no interruption in business. A specific contract is necessary for the purchase of assets and assumption of liabilities to depositors and other creditors of the State bank. In such cases bills receivable and other assets should be listed, carefully scrutinized, and properly endorsed; the

banking house, if purchased, deeded to the new bank, and the deed recorded; all general and individual accounts closed and transferred, and new accounts opened and old pass books called in and new books issued. The capital must be paid by the shareholders in cash and not in assets of the closed bank.

Under the national banking laws any association may make loans on personal security, and any national banking association not situated in a central reserve city is authorized by section 24 of the Federal reserve act to make loans secured by improved and unencumbered farm land situated within its Federal reserve district or within a radius of 100 miles of the place in which such bank is located, irrespective of district lines, and may also make loans secured by improved and unencumbered real estate located within 100 miles of the place in which such bank is located, irrespective of district lines; but no loan made upon the security of such farm land shall be made for a longer time than five years, and no loan made upon the security of such real estate as distinguished from farm land shall be made for a longer time than one year, nor shall the amount of any such loan, whether upon such farm land or upon such real estate, exceed 50 per cent of the actual value of the property offered as security. Any such bank may make such loans, whether secured by such farm land or such real estate, in an aggregate sum equal to 25 per cent of its capital and surplus or to one-third of its time deposits, and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.

The Federal Reserve Board has power from time to time to add to the list of cities in which national banks shall not be permitted to make loans secured by real estate in the manner described in this section.

National banks are prohibited from investing in real estate other than that necessary to the conduct of the business of the bank, and are restricted in the volume of accommodations to any one person, company, corporation, or firm, etc., to 10 per cent of the capital stock of the association actually paid and unimpaired and 10 per cent of its unimpaired surplus fund, the aggregate in no case to exceed 30 per cent of the capital stock. The courts have held that it is ultra vires of a national banking association to invest in the stock of another corporation.

State banks proposed to be converted and holding prohibited assets are expected to dispose of them prior to being authorized to begin business as a national banking association, and an agreement (a copy of which follows) is exacted from the directors of a national banking association, being organized to succeed a State or private bank, that no prohibited assets will be purchased by the association.

STATEMENT, NONACQUIREMENT OF PROHIBITED ASSETS.

We, the undersigned, a majority of the board of directors of the _____ National Bank of _____, in the _____ of _____, State of _____, hereby certify that any assets which may be purchased or otherwise acquired by said national bank from the _____ Bank of _____, will not include real estate, except banking premises, stocks, loans secured by real estate, except such as are permitted by section 24 of the Federal Reserve Act, nor any loan in excess of 10 per cent of the capital stock of the national bank actually paid in and unimpaired, and 10 per cent of unimpaired surplus fund, the total not to exceed 30 per cent of capital stock.

Directors.

Subscribed and sworn to before me, this — day of —, 19—.

[NOTARIAL SEAL.]

Notary Public.

The following is the form of notice to be submitted of intention to convert a State bank into a national banking association:

APPLICATION TO CONVERT A STATE BANK INTO A NATIONAL BANKING ASSOCIATION.

The name of the place should form a part of the title, thus, "The First National Bank of A_____, " but the name of the State should not be included.

Consideration will not be given to an application for a title including the word "First," if a national bank exists or has existed at the given locality; nor to an application for a title identical with that of a national bank heretofore in existence, nor to one materially similar to that of a national, State or other bank existing in the place.

— — — — —, 19 — — —

To the COMPTROLLER OF THE CURRENCY,

Washington.

We request that the title be reserved for a period of sixty days and the necessary conversion papers and instructions sent to _____, at _____, hereby agreeing that any assets of the State bank which can not be legally held by a national bank will be disposed of before certificate authorizing conversion and the commencement of business as a national banking association is issued.

Signatures of directors.	Residences.

This office requires a State bank making application to convert into a national bank to transmit a draft payable to the order of the Comptroller of the Currency in an amount sufficient to cover the expense of the preliminary examination. Upon receipt of this draft the chief examiner is directed to assign an examiner to make a thorough examination of the condition of the bank. The examiner investigates the character and financial standing of the directors and officers, and reports on the manner in which the State bank has been managed; whether the officers have the confidence of the community and also as to the probability of success of the bank as a national bank.

The examiner is instructed to prepare a list of the assets of the State bank that do not conform to the provisions of the national-bank act or the Federal reserve act, and where assets of this character are found conversion may be expedited if the directors will sign an agreement and send it to this office, to the effect that such assets will be immediately collected or disposed of otherwise.

When the application to convert has received the Comptroller's approval, a meeting of the shareholders of the State bank should be called, the notice of the meeting required by the laws of the State or the articles of association or incorporation having been given. At this meeting a resolution should be adopted by a vote representing not less than 51 per cent of the capital stock of the bank authorizing the board of directors to change and convert the bank into a national banking association under the provisions of section 5154, U. S. R. S., and acts amendatory thereof; also authorizing the directors, or a majority thereof, to make and execute the articles of association and organization certificate, and all other papers and certificates, and to do all acts necessary to conversion of the bank into a national banking association.

If it is desired, or is necessary, to increase the capital stock of the State bank, or change the par value of the shares before conversion, the increase or change must be legally effected under the laws of the State, and a certificate from the proper State official obtained showing the increase in capital stock to have been legally effected prior to the date on which the resolution authorizing conversion is adopted by the shareholders.

The minimum number of directors by which the affairs of a national bank can be lawfully managed is five and, if the State bank has less than that number, an increase should be effected under the laws of the State, prior to the execution of any conversion papers other than the application.

AUTHORITY FOR CONVERSION OF STATE BANK.

At a meeting of the shareholders of _____, held on _____, the notice of the proposed meeting required by the laws of the State or the articles

of association or incorporation of said bank having been given, it was resolved that the board of directors of this bank be authorized to change and convert said bank into a national banking association under the provisions of section 5154 of the Revised Statutes of the United States, or of acts amendatory thereof; and we do also authorize the said directors, or a majority thereof, to make and execute the articles of association and organization certificate required to be made or contemplated by said statutes; and also to make and execute all other papers and certificates and to do all acts necessary to convert the said bank into a national banking association; and to do and perform all such acts as may be necessary to transfer the assets of every description and character of the said State bank to the national banking association into which it is to be converted, so that the said conversion may be absolute and complete; and we do hereby assume, and authorize the said directors to assume, as the name of the national banking association into which the said State bank is to be converted, "The _____;" and we do hereby appoint _____, who are now the directors of the said State bank, to be the directors of the said national bank, to hold their offices as such directors until the regular annual election of directors is held, pursuant to the provisions of said Revised Statutes, and until their successors are chosen and qualified; and we do hereby authorize the said directors of the said national bank to continue in office the officers of the said State bank, or to appoint or elect others, as to them may seem best.

The foregoing resolution was adopted by the following vote, representing not less than 51 per cent of the capital stock of _____, no one having acted as proxy who is not authorized to so act under the laws of the State.

Name of shareholder.	Residence.	Name of proxy.	No. of shares.

Total number of shares voted in favor of the resolution, _____.

Total number of shares voted against the resolution, _____.

Total number of shares represented at the meeting, _____.

Total number of shares of capital stock, _____.

I hereby certify that this is a true and correct report of the vote and of the resolution adopted at a meeting of the shareholders of this bank held on the date mentioned.

[SEAL OF BANK.]

_____,
President or Cashier.

Subscribed and sworn to before me this _____ day of _____, A. D. _____.

[SEAL OF NOTARY.]

_____,
Notary Public.

The shareholders of a State bank having authorized its conversion into a national banking association, the directors should execute the articles of association and organization certificate as per the following forms, the signatures of a majority of the directors being required:

ARTICLES OF ASSOCIATION.

(Executed in duplicate.)

We, the undersigned, directors of the _____, having been authorized by a vote of shareholders owning not less than fifty-one per cent of the capital

stock of said bank to change and convert the said bank into a national banking association, under the provisions of section 5154 of the Revised Statutes of the United States, or of acts amendatory thereof, and to execute articles of association, do hereby, in our own behalf, and in behalf of the stockholders whom we represent, make and execute the following articles of association:

First. The title of the association into which the said State bank is to be changed and converted shall be "The _____."

Second. The place where its banking house or office shall be located, and its operations of discount and deposit carried on, and its general business conducted shall be the _____, county of _____, State of _____.

Third. The board of directors shall consist of _____ shareholders.

Fourth. The regular annual meetings of the shareholders for the election of directors shall be held at the banking house of this association on the second Tuesday of January of each year; but if no election shall be held on that day it may be held on any other day, according to the provisions of section 5149 of the Revised Statutes of the United States, and all elections shall be held according to such regulations as may be prescribed by the board of directors not inconsistent with the provision of the national banking law and of these articles.

Fifth. The capital stock of this association shall be _____ dollars, divided into shares of _____ dollars each; but the capital may, with the approval of the Comptroller of the Currency, be increased at any time by shareholders owning two-thirds of the stock, according to the provisions of an act of Congress approved May 1, 1886; and in case of the increase of the capital of the association each shareholder shall have the privilege of subscribing for such number of shares of the proposed increase of the capital stock as he may be entitled to according to the number of shares owned by him before the stock is increased.

Sixth. The board of directors, a majority of whom shall be a quorum to do business, shall elect one of its members president of this association, who shall hold his office (unless he shall be disqualified or be sooner removed by a majority vote of the board) for the term for which he was elected a director. The directors shall have power to elect a vice president, who shall also be a member of the board of directors, and who shall be authorized, in the absence or inability of the president from any cause, to perform all acts and duties pertaining to the office of president, except such as the president only is authorized by law to perform, and to elect or appoint a cashier and such other officers and clerks as may be required to transact the business of the association; to fix the salaries to be paid to them and continue them in office, or to dismiss them, as, in the opinion of a majority of the board, the interests of the association may demand.

The directors shall have power to define the duties of the officers and clerks of the association; to require bonds from them and to fix the penalty thereof; to regulate the manner in which elections of directors shall be held, and to appoint judges of the elections; to make all by-laws that it may be proper for them to make, not inconsistent with law, for the general regulation of the business of the association and the management of its affairs, and generally to do and perform all acts that it may be legal for a board of directors to do and perform under the Revised Statutes aforesaid.

Seventh. This association shall continue for the period of twenty years from the date of the execution of its organization certificate unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law.

Eighth. These articles of association may be changed or amended at any time by shareholders owning a majority of the stock of the association in any manner not inconsistent with law; and the board of directors or any three shareholders may call a meeting of the shareholders for this or any other purpose, not inconsistent with law, by publishing notice thereof for thirty days in a newspaper published in the town, city, or county where the bank is located, or by mailing to each shareholder notice in writing thirty days before the time fixed for the meeting.

In witness whereof, we have hereunto set our hands this _____ day of _____.

ORGANIZATION CERTIFICATE.

We, the undersigned directors of the _____, having been duly authorized by a vote of shareholders owning not less than fifty-one per cent of its capital stock to change and convert said bank into a national banking association, and to make the necessary organization certificate, under the provisions of section 5154 of the Revised Statutes of the United States, or of acts amendatory thereof, do sign and execute the following organization certificate, which we hereby declare we are authorized to make by a vote of shareholders owning not less than fifty-one per cent of the capital stock of the said State bank.

First. The title of this association shall be "The _____."

Second. The said association shall be located and continued in the _____ of _____, county of _____, and State of _____, where its operations of discount and deposit are to be carried on.

Third. The capital stock of this association shall be _____ dollars (\$_____), divided into _____ shares of _____ dollars each, as it is now divided in the said State bank.

Fourth. The name and residence of each of the stockholders of the said State bank, which is to become a national bank under the provisions of the Revised Statutes aforesaid, and the number of shares of _____ dollars each held by each stockholder are as follows:

Name.	Residence.	No. of shares.

Fifth. This certificate is made in order that the said State bank and the stockholders thereof may avail themselves of the advantages of the aforesaid Revised Statutes, and that the said State bank may be changed and converted into a national banking association under the foregoing title.

In witness whereof we have hereunto set our hands this _____ day of _____.

The signatures of a majority of directors required.

STATE OF _____,

County of _____, ss:

Before the undersigned, a _____ of _____, personally appeared
 directors of the aforesaid State bank, to me well known, who severally acknowledged that they executed the foregoing certificate for the puropses therein mentioned.

Witness my hand and seal of office this _____ day of _____.

[OFFICIAL SEAL OF OFFICER.]

_____,
_____,
_____.

**CERTIFICATE RELATIVE TO PAYMENT OF CAPITAL STOCK OF STATE BANK CONVERTING
 INTO NATIONAL BANK.**

It is hereby certified that the _____ Bank _____ of _____, which is to be converted into "The _____ National _____ Bank of _____," in conformity with the provisions of section 5154 of the Revised Statutes of the United States, and acts amendatory thereof, authorizing the conversion of "any bank incorporated by special law or any banking institution organized under a general law of any State," has a paid in and unimpaired capital of \$_____.

_____,
_____,
_____,
President or Cashier.

STATE OF _____,

County of _____, ss:

Subscribed and sworn to before the undersigned, a _____ of the said county, this _____ day of _____, 19_____.
 _____, _____.

[OFFICIAL SEAL OF OFFICER.]

_____,
_____,
_____,
[Official title.] _____.

Duly qualified directors of a State bank being converted into a national bank may continue as directors, regardless of the number of shares owned, until the first annual election is held when, to be eligible for reelection, they must own the number of shares required by the national-bank act. The oaths should be taken as directors of the national bank. Unless officers are reappointed by the directors of the national bank subsequent to their qualification, the form requiring the signatures of the officers of the national bank (a copy of which follows) should show date of appointment by the directors of the State bank and the following explanatory clause should be added: "Appointed at a meeting of the directors of the State bank."

**OFFICIAL SIGNATURES OF OFFICERS OF THE _____, LOCATED AT _____ IN THE
 STATE OF _____.**

Original signatures.	Date of election or appointment.	Names of predecessors.

[SEAL OF BANK.]

IMPORTANT.

The following instructions should be observed to avoid return of paper for correction: (1) Insert title and place of location of bank. (2) Give the sig-

natures of officers, with date of election or appointment. (3) In case of a vacancy, the word "None," should appear in the space for the signature of the officer. (4) Affix seal of bank in the space designated. (5) The signatures of all of the officers with date of election or appointment of each and name of predecessor, in case of a change, are required.

EXTENSION OF CORPORATE EXISTENCE.

The act of Congress approved July 12, 1882, authorizes the extension of the corporate existence of national banking associations whose periods of succession are about to expire. Section 5136 provides that all associations organized under the national-bank act shall have succession for twenty years from the date of the execution of their organization certificates.

The officers of a national bank can therefore ascertain the date of the expiration of the corporate existence of the association from the date of the last acknowledgment in the organization certificate. If the certificate has been lost or the date is uncertain, information can be obtained upon application to the Comptroller. Under the act of July 12, 1882, shareholders owning at least two-thirds of capital stock are authorized to give their written consent to extension of corporate existence at any time within two years prior to the expiration of existing charter, and under the regulations of the Comptroller's office the necessary blanks and instructions will be sent a sufficient time in advance to enable them to do so. While no meeting of shareholders is necessary, the law only requiring the written consent of the owners of two-thirds of the capital stock, there is no legal objection to the holding of a meeting of shareholders for the purpose of considering the propriety of extending charter. The formal amendment, certificate relative thereto, and request for approval to be executed and filed with the Comptroller are as follows:

AMENDMENT OF ARTICLES OF ASSOCIATION OF NATIONAL BANK.

In accordance with and in pursuance of the provisions of "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, we, the undersigned, shareholders of "The _____," located at _____, in the county of _____ and State of _____, owning the number of shares of the capital stock of said association set opposite our respective names, aggregating not less than two-thirds of the stock of said association, do hereby consent and agree that the _____ article of the articles of association of said national banking association be, and is hereby, amended to read as follows:

"This association shall continue until close of business on _____, 19____, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law."

In witness whereof we, the undersigned, have hereto set our hands.

Date of signing.	Signature of shareholder.	Address.	Signature of proxy.	No. of shares.

CERTIFICATE.

To the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: In pursuance of the provisions of "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, I hereby certify that shareholders owning not less than two-thirds of the capital stock of "The _____" have consented in writing to the extension of the charter of said association; that the signatures to the attached amendment of the articles of association, executed in duplicate, are the true and correct signatures of said shareholders, or of their lawfully appointed attorneys, and that one of the instruments, in all respects like the other, is on file in the bank.

The foregoing certificate is made under seal of the association in accordance with a resolution of the board of directors adopted at a meeting held on the _____ day of _____, 19____, in which the president or cashier was also authorized to make an application for the approval of the amended articles of association, a copy of which resolution has been recorded on the minute book of the bank.

[SEAL OF BANK.]

*_____,
President or Cashier.*

(The above certificate should not be made prior to date on which the amendment is last signed.)

REQUEST FOR APPROVAL.

The Comptroller of the Currency is hereby requested to approve the foregoing amendment of the articles of association of said bank, extending its corporate existence for twenty years, pursuant to the act of Congress entitled "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882.

*_____,
President or Cashier.*

PROXY FOR USE IN EXTENDING CORPORATE EXISTENCE OF NATIONAL BANKS.

Know all men by these presents, that I, _____, of _____, hereby constitute and appoint irrevocably _____ my true and lawful attorney, for me and in my name and stead to sign all necessary papers in connection with the extension of the corporate existence of the _____, under the act of Congress approved July 12, 1882, or any amendment of said act, and I hereby consent that the _____ article of the articles of association of the _____ be so amended as to read as follows:

"This association shall continue until close of business on _____, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law."

I further grant unto my said attorney full power and authority to act in and concerning the premises as fully and effectually as I might do if personally present.

In witness whereof I have hereunto set my hand this _____ day of _____, in the year one thousand nine hundred and _____.

Signed in the presence of two witnesses:

AUTHORITY OF REPRESENTATIVE OF OTHER CORPORATION CONSENTING TO EXTENSION OF CORPORATE EXISTENCE OF NATIONAL BANK.

At a meeting of the _____ of the _____ of _____, held on the _____ day of _____, it was voted that _____ be, and he is hereby appointed, irrevocably as its attorney, with power of substitution, to consent to and sign, in its behalf, the amendment of the _____ article of the articles of association of The _____ National _____ Bank _____, said amendment reading as follows:

"This association shall continue until close of business on _____, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law."

A true copy from the records.

Attest:

_____. [Affix seal.]

EXTENSION OF CHARTER—ORDER FOR PLATES AND CIRCULATION.

Charter No. _____.

_____ NATIONAL _____ BANK OF _____,
_____, 19_____.

To the COMPTROLLER OF THE CURRENCY.

SIR: As the corporate existence of this bank is to be legally extended for 20 years, you are requested to have new plates engraved, the cost to be paid upon demand, and circulating notes printed therefrom, as follows:

No. of sheets ordered.	Denominations on sheets.	Value per sheet.	Amount of order.
	\$1, \$1, \$1, \$1,.....	\$4	\$
	\$2, \$2, \$2,.....	8	
	\$5, \$5, \$5,.....	20	
	\$10, \$10, \$10, \$10,.....	40	
	\$10, \$10, \$10, \$20,.....	50	
	\$50, \$50, \$50, \$100,.....	250	
	Total.....		

Respectfully,

_____,
Cashier.

NOTE.—The act of July 12, 1882, requires that circulating notes issued to banks subsequent to extension of corporate existence shall bear such devices as shall make them readily distinguishable from prior issues.

The act of October 5, 1917, provides for the issuance of \$1 and \$2 notes, repealing the act of June 3, 1864, which prohibited national banks from being furnished with notes of less denomination than \$5 after the resumption of specie payments.

Circulation may be ordered from any one or more of the plates listed above, but no bank shall receive or have in circulation at any one time more than \$25,000 in notes of the denominations of \$1 and \$2.

The restriction as to the issue of \$5 notes to one-third of a bank's circulation has been repealed, and notes of that denomination may be issued in any amount desired not in excess of the capital stock against the deposit of bonds.

It will ordinarily require about 40 days to engrave the plate and to print circulating notes, but the order will not be acted upon until either bonds are deposited for circulation or a draft in payment of cost of engraving is received by the Comptroller.

Bank plates cost \$130 each for originals and \$120 each for duplicates when the originals are worn out.

This order should accompany the amendment providing for the extension of the corporate existence of the association.

The following instructions should be strictly observed: The date on which each shareholder or his attorney signs the amendment should be entered in the column for that purpose. An attorney representing several shareholders need sign but once on a page, if the names of shareholders are bracketed. Residence and number of shares of each shareholder consenting to the extension must be given.

When the owners of at least two-thirds of the stock have signed the amendment, in person or by proxy, a meeting of directors should be held and a resolution adopted directing the president or cashier to make the necessary certification to the Comptroller of the Currency and request the approval of the amendment as provided by law. The amendment, with appended certificate, and request for approval should be transmitted to the Comptroller at least two months prior to the expiration of the corporate existence of the bank in order to allow sufficient time to cause the special examination to be made as required by law. If any shares of stock standing in the names of administrators, executors, trustees, or guardians are represented, certified copies of the legal appointment of such administrators, executors, trustees, or guardians should be furnished to the bank. In order that stock held by an assignee may be represented, the shares must have been formally transferred to him on the books of the bank. If the amendment is signed by attorneys acting for shareholders or by an officer of another corporation, properly executed powers of attorney or other authority should be required and retained for the files of the bank.

Subsequent to the receipt of extension papers in due form, the Comptroller will order the special examination required by law, the expense of which must be paid by the bank. If it then appears to the Comptroller that the bank is in a satisfactory condition he will, at the date of expiration of existing charter, issue the certificate of extension.

The law requires that circulating notes issued to the bank after the date at which the period of succession begins shall be of different devices from those issued before. This necessitates the procuring of new plates, which are prepared at the expense of the bank. A blank to enable a bank to order the engraving of plates and the printing of new circulation will be furnished. The order should be transmitted with the amendment.

No transfer of bonds is necessary, as the extended association is, in all respects, the same as before extension. The new circulating notes will be issued as the old issues are received for redemption.

OFFICERS' BONDS.

When the corporate existence of a national bank is extended, the renewal of bonds of officers and employees should have consideration.

SHAREHOLDERS NOT DESIRING TO EXTEND THE CORPORATE EXISTENCE
OF THE ASSOCIATION.

Some shareholders may not assent to the extension, and may wish to withdraw from the association. Section 5 of the act of July 12, 1882, provides what may be done in such cases, as follows:

That when any national banking association has amended its articles of association as provided in this act, and the Comptroller has granted his certificate of approval, any shareholder not assenting to such amendment may give notice in writing to the directors, within thirty days from the date of the certificate of approval, of his desire to withdraw from said association, in which case he shall be entitled to receive from said banking association the value of the shares so held by him, to be ascertained by an appraisal made by a committee of three persons, one to be selected by such shareholder, one by the directors, and the third by the first two; and in case the value so fixed shall not be satisfactory to any such shareholder he may appeal to the Comptroller of the Currency, who shall cause a reappraisal to be made, which shall be final and binding; and if said reappraisal shall exceed the value fixed by said committee, the bank shall pay the expenses of said reappraisal, and otherwise the appellant shall pay said expenses; and the value so ascertained and determined shall be deemed to be a debt due, and be forthwith paid, to said shareholder, from said bank; and the shares so surrendered and appraised shall, after due notice, be sold at public sale, within thirty days after the final appraisal provided in this section.

REEXTENSION OF CORPORATE EXISTENCE.

The act of Congress approved April 12, 1902, provides that the Comptroller of the Currency may, in the manner provided by and under the conditions and limitations of the act of July 12, 1882, extend for a further period of 20 years the charter of any national banking association extended under said act which shall desire to continue its existence after the expiration of its charter. The form of amendment and certificate follows:

REEXTENSION OF CHARTER—AMENDMENT OF ARTICLES OF ASSOCIATION OF NATIONAL BANK.

In accordance with and in pursuance of the provisions of "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, and the amendment approved April 12, 1902, we, the undersigned, shareholders of "The _____," located at _____, in the county of _____ and State of _____, owning the number of shares of the capital stock of said association set opposite our respective names, aggregating not less than two-thirds of the stock of said association, do hereby consent and

agree that the _____ article of the articles of association of said national banking association be, and is hereby, amended to read as follows:

"This association shall continue until close of business on _____, 19____, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law."

In witness whereof we, the undersigned, have hereto set our hands.

Date of signing.	Signature of shareholder.	Address.	Signature of proxy.	No. of shares.

_____, 19____.

To the COMPTROLLER OF THE CURRENCY,

Washington, D. C.

SIR: In pursuance of the provisions of "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, and the amendment approved April 12, 1902, I hereby certify that shareholders owning not less than two-thirds of the capital stock of "The _____," have consented in writing to the reextension of the charter of said association; that the signatures to the attached amendment of the articles of association, executed in duplicate, are the true and correct signatures of said shareholders, or of their lawfully appointed attorneys, and that one of the instruments, in all respects like the other, is on file in the bank.

The foregoing certificate is made under seal of the association in accordance with a resolution of the board of directors adopted at a meeting held on the _____ day of _____, 19____, in which the president, or cashier, was also authorized to make an application for the approval of the amended articles of association, a copy of which resolution has been recorded on the minute book of the bank.

[SEAL OF BANK.]

_____,
President or Cashier.

(The above certificate should not be made prior to date on which the amendment is last signed.)

The Comptroller of the Currency is hereby requested to approve the foregoing amendment of the articles of association of said bank, reextending its corporate existence for twenty years, pursuant to the act of Congress entitled "An act to provide for the extension of the charters of national banks," approved April 12, 1902.

[SEAL OF BANK.]

_____,
President or Cashier.

The other forms are similar to those used in connection with the original or first extension of charter.

AMENDMENTS.

Section 5139 of the Revised Statutes provides that no change shall be made in the articles of association of a national bank by which the rights, remedies, or security of the existing creditors of the asso-

ciation shall be impaired; which, by implication, authorizes amendments not contravening the rights of creditors. The national banking law specifically provides for amendments of the articles of association changing corporate title, location of bank, increasing and reducing capital stock, and extension of corporate existence. Amendment of the last-named character requires the written consent of shareholders owning two-thirds of the stock of an association, but the other changes require authorization by a vote of not less than two-thirds of the stock of the bank at a meeting of shareholders called for the purpose.

Ordinarily a provision is written into the articles of association of national banks authorizing amendment, in any respect not conflicting with law, by a majority stock vote. Where this provision exists, the right is recognized to amend the articles, by such a vote, relating to the number of directors, the time of holding annual elections (in the month of January), but under the ruling of the Solicitor of the Treasury the shareholders have no authority to amend the articles of association to provide that less than a majority of the directors shall constitute a quorum.

In the interest of banks concerned, and in accordance with the rulings of the office, a proposition to amend the articles of association of a bank in any particular should be submitted to the Comptroller of the Currency, for approval and specific instructions, in advance of action by stockholders. In this connection attention is called to "Notice of shareholders' meeting," appearing on page 54.

CHANGE OF NAME OR OF NAME AND LOCATION.

A national banking association may, with the consent of the Comptroller of the Currency and by the vote of shareholders owning at least two-thirds of the stock of the association, change its name or place where its operations are carried on to any other locality in the same State not more than 30 miles distant.

When an association desires to change its title or location, the proposition should be submitted to the Comptroller of the Currency for consideration; and, when approved, a meeting of shareholders called that the required vote may be obtained.

Due notice of the meeting must be given and a certified copy of the resolution, under seal of the bank, sent to the Comptroller of the Currency, accompanied by a copy of the resolution of the board of directors authorizing the Treasurer of the United States to assign to the bank under its new title any bonds held by him as security for circulation, together with the Treasurer's duplicate receipts for the securities. An order for plate or plates and circulation to conform to change of title, etc., should also be submitted. No circulating

notes of a bank under its original title will be issued from this office subsequent to date of approval of change of corporate name.

No change of name or location is valid until the Comptroller's certificate of approval is issued. (See act of Congress approved May 1, 1886, to be found in the national-bank act.)

The removal of a bank to a different street location but within the limits of the place where it was organized does not require any action by the shareholders or the approval of the Comptroller, it being entirely within the control of the board of directors unless the specific location is fixed by the articles of association, in which event action by the shareholders is necessary. When the "place" in which a bank was organized has been annexed to another municipality the removal of the bank beyond the limits of the place in which it was organized into the municipality to which the former place has been annexed requires the vote of shareholders owning not less than two-thirds of the stock of the association and the approval of the Comptroller. This approval will not be given when the capital of a bank is less than that required by law for the organization of an association in the municipality into which it is proposed to move.

The position taken by the Comptroller in these cases is sustained by the decision of the United States Circuit Court of Appeals in the case of *Murray v. First National Bank of Capitol Hill, Okla.* (212 Fed Rep., 140).

LIQUIDATION.

A national banking association may, under section 5220, be placed in voluntary liquidation by a vote of the owners of two-thirds of the stock. Before calling a meeting of shareholders, however, for the purpose of voting upon the proposition, application should be made to the Comptroller for his approval and the necessary blanks and instructions.

Before the meeting is held the shareholders should be given the notice required by the articles of association.

When a meeting has been held and a resolution adopted by the required vote, it is the duty of the board of directors to cause notice of the fact to be certified, under seal of the association, to the Comptroller of the Currency by the president or cashier, and publication thereof to be made for a period of two months in a newspaper published in the city of New York and also in the place in which the association is located, or if no newspaper is published in such place, then in a newspaper published nearest thereto, that the association is closing up its affairs, and notifying note holders and other creditors to present the notes and other claims against the association for payment. Lawful money to provide for the redemption of circulation must be deposited within six months from date of liquidation.

When an association goes into liquidation, its affairs pass into the hands of its shareholders for such legal disposition as may be deemed proper; and, unless a liquidating agent is elected by the shareholders (Solicitor's op., Mar. 6, 1906), the settlement of the affairs of the bank would appear to devolve upon the directors, who will be at liberty to continue one or more of the officers or, in lieu thereof, to appoint an agent, for the purpose of conducting liquidating proceedings.

After a national bank has gone into voluntary liquidation no further supervision of its affairs is conferred upon the Comptroller by law. It is usual, however, for the shareholders to adopt a resolution providing for the appointment of a liquidating agent or committee and that the liquidating agent or committee shall render quarterly reports to the Comptroller showing the progress of the liquidation until it is completed. The filing of these reports is of advantage to all interested, as it makes a permanent record of the liquidation.

A creditor of a national bank in liquidation has the right to enforce the individual liability of shareholders provided for by section 5151 of the United States Revised Statutes by filing a bill in equity in the nature of a creditor's bill against the shareholders of the bank in any court of the United States having original jurisdiction for the district in which the bank may have been located or established.

Any shareholder of a national bank in liquidation, who is dissatisfied with the manner in which liquidation is conducted, has the right to go into court and ask for the appointment of a receiver in the same manner as a shareholder of any State corporation would be so authorized.

The following is a form of resolution for adoption by the shareholders of a national bank in the event it is decided to place the association in voluntary liquidation:

RESOLUTION FOR VOLUNTARY LIQUIDATION.

At a meeting of the shareholders of The _____ National Bank _____, located at _____, held on _____, thirty days' notice of the proposed business having been given, it was

Resolved, That the _____ be placed in voluntary liquidation under the provisions of sections 5220 and 5221 of the United States Revised Statutes, to take effect _____, and that _____ be appointed liquidating agent or liquidating committee of said bank; that liquidation shall be conducted in accordance with law and under the supervision of the board of directors, who shall require a suitable bond to be given by the said agent or committee in an amount to be fixed by the board of directors; that the said liquidating agent or committee shall render quarterly reports to the Comptroller of the Currency on the 1st of January, April, July, and October of each year showing the progress

of said liquidation until said liquidation is completed; that said liquidating agent or committee shall render an annual report to the shareholders on the date fixed in the articles of association for said annual meeting, at which meeting the shareholders may, if they see fit, by a vote representing a majority of the entire stock of the bank, remove the liquidating agent or committee and appoint another in place thereof; that a special meeting of the shareholders may be called at any time in the same manner as if the bank continued an active bank, and at said meeting the shareholders may, by a vote of the majority of the stock, remove the liquidating agent or committee; that the Comptroller of the Currency is authorized to have an examination made at any time into the affairs of the liquidating bank until the claims of all creditors have been satisfied, and that the national bank examiner will be compensated for his time and expense in making the examination in question.

The foregoing resolution was adopted by the following vote, representing at least two-thirds of the capital stock of the association, no director, other officer, or employee having acted as proxy:

Name of shareholder.	Residence.	Name of proxy.	No. of shares.

Stock voted against resolution.

Name of shareholder.	Residence.	Name of proxy.	No. of shares.

Stock not represented at meeting.

Name of shareholder.	Residence.	No. of shares.

Total number of shares voted in favor of the resolution, ____.

Total number of shares voted against the resolution, ____.

Total number of shares represented at the meeting, ____.

Total number of shares not represented at the meeting, ____.

Total number of shares of capital stock, ____.

I hereby certify, under authority of the board of directors, that the foregoing is a true and correct report of the vote and of the resolution adopted at a meeting of the shareholders of the aforesaid bank on the date mentioned.

[SEAL OF BANK.] _____, _____,

President or Cashier.

Subscribed and sworn to before me, this _____ day of _____, A. D. ____.

[SEAL OF NOTARY.] _____, _____,

Notary Public.

NOTICE.

Notice in the following form must be published for a period of two months from date on which resolution to liquidate takes effect, in a newspaper in the city of New York and in one published in the place in which the bank is located. If the notices are published in daily newspapers they must appear in 60 consecutive issues, or, if published in weekly newspapers they must appear in 9 consecutive issues. When publication has been made as required by section 5221 affidavits of the publishers to that effect should be sent to the Comptroller of the Currency, together with a slip containing notice from one issue of each paper.

The form of notice follows:

The _____ National _____ Bank _____, located at _____, in the State of _____, is closing its affairs. All note holders and other creditors of the association are therefore hereby notified to present the notes and other claims for payment.

President or Cashier.

Dated, _____, 19____.

LIQUIDATING AGENT—APPOINTMENT AND POWERS.

When a national bank has been placed in voluntary liquidation the settlement of its affairs devolves by law upon its shareholders.

The national-bank act contains no provision stating the specific manner in which the affairs of a national bank shall be liquidated, and no reference is made in the law to the appointment of an agent or trustee in liquidation, except when a national bank has been placed in the hands of a receiver and the claims of all creditors other than shareholders have been satisfied.

Quite frequently the shareholders, in voting to place the bank in liquidation, also appoint a liquidating agent or committee, whose powers are not always clearly defined.

The United States Circuit Court of Appeals has held (*Jewett v. United States*, 100 Fed. Rep., 832) that while no such office as an agent in liquidation was known to the statutes, yet it was one that had long been recognized as permitted by law.

Questions have been raised as to the extent of the authority of the liquidating agent or committee and whether the appointment of such agent or committee divests the directors of their general power and control over the management of the bank.

Judge Lacombe, of the United States Circuit Court for the Southern District of New York, held in 1899, in the case of the liquidation of the Franklin National Bank of New York, that the vote to liquidate and the appointment of a committee by the shareholders to

liquidate the bank did not divest the directors of their general power and control over the management of the bank. This case, however, has never been officially reported.

In recent years this office has submitted to banks proposing to liquidate a form of resolution which, after providing for the appointment of a liquidating committee, provides that liquidation shall be conducted in accordance with the laws of the State and under the general supervision of the board of directors. This form of resolution also provides that the liquidating agent or committee shall render quarterly reports to the Comptroller during the progress of liquidation.

Form of first report required to be submitted by the liquidating agent or committee of a national bank in liquidation, showing assets and liabilities on the day prior to which transfer was made; assets transferred to the succeeding bank (if the assets were transferred to the liquidating agent or committee and liabilities remaining unsatisfied on that date.)

Charter No. —

Report of the condition of The —— National Bank of ——, liquidating, and the business of which is to be acquired by The —— Bank of —— at the close of business on the —— day of ——, 191—.

We, the undersigned, being a majority of the liquidating committee, certify the above to be a true statement of The —— National Bank of ——, liquidating, this —— day of ——, 191—.

三

_____, Liquidating Agent.

Liquidating Committee.

[Form of quarterly report required to be submitted showing progress made by the liquidating agent or committee in converting the assets into cash, satisfying the liabilities of the association, and the payment of liquidating dividends to shareholders for the quarters ending Mar. 31, June 30, Sept. 30, and Dec. 31.]

Charter No. _____.

Report of liquidating _____ of The _____ National Bank of _____, located at _____, for the quarter ending _____, 1911.

Assets.	On hand beginning of quarter.	Collections during quarter.	Losses on assets compromised, sold, or charged during quarter.	Balance on hand and of quarter.	Liabilities.	Amounts due begin- ning of quarter.	Liabilities paid during quarter.	Increase in undi- vided profits from rent, interest, or col- lected on assets charged off.	Reduction of capital stock, or undi- vided profits from losses on assets com- mised, sold, or charged off.
1. Loans and discounts.									
2. Overdrafts									
3. United States bonds									
4. Other bonds									
5. Banking house, furniture, and fixtures									
6. Other real estate									
7. Stocks, securities, judgments, etc.									
8. Due from									
9. Collected from interest									
10. Collected from rent									
11. Collected from charged-off assets									
12. Checks and other cash items									
13. Five per cent redemption fund									
14. Other assets (not cash)									
15. Cash on hand									
Totals									

Total liquidating dividends paid to date, \$ _____ per cent.

Receipts and disbursements for quarter ending —, 191—.

Receipts.	Disbursements.
1. Cash on hand at beginning of quarter 2. Collected on loans and discounts 3. Collected from charged-off assets 4. Collected from 5. Collected from 6. Collected from 7. Collected from 8. Collected from Total 	1. Paid depositors 2. Paid to 3. Paid to 4. Paid to 5. Paid shareholders Per cent dividend on capital stock Per cent dividend on capital stock 6. Cash on hand at end of quarter Total

I certify the above to be correct.
 Dated —, 191—.

Liquidating Agent.

After a national bank has gone into liquidation the officers have no authority to bind the shareholders by the transaction of any business except that necessarily involved in the winding up of its affairs unless such authority has been expressly conferred by the shareholders. (*Schrader v. Manufacturers National Bank*, 133 U. S., 67; *Richmond v. Irons*, 121 U. S., 27.)

While the matter does not appear to be provided for by law, it would seem advisable in all cases to have the liquidating agent or committee secure the authority of the board of directors before disposing of real estate or other assets of the bank.

ELECTION OF OFFICERS DURING LIQUIDATION.

A national bank that has voted to go into liquidation may continue to elect officers and directors for the purpose of effecting liquidation, but after the expiration of the term of its charter the stock is not transferable so as to give the transferee the right to share in the election of directors, and such transferee not being a shareholder is ineligible as a director under section 5145, United States Revised Statutes. (*Richards v. Attleboro National Bank*, 148 Mass., 187; 3 N. B. C., 495.)

LIQUIDATION AT EXPIRATION OF CHARTER.

Section 7 of the act of July 12, 1882, provides that national banking associations the corporate existence of which has expired or shall hereafter expire, and which do not avail themselves of the provisions of this act, shall be required to comply with the provisions of sections 5221 and 5222 in the same manner as if the shareholders had voted to go into liquidation, as provided in section 5220; and the provisions of sections 5224 and 5225 shall also be applicable to such associations, except as modified by this act; and the franchise of such associations is extended for the sole purpose of liquidating their affairs until such affairs are finally closed.

While, under the act, no meeting of shareholders is necessary for the purpose of voting on the question of expiration of charter (the corporate existence expiring by limitation, if not extended as provided by law), it would seem advisable to call the shareholders together before date of expiration of charter, for exchange of views and the taking of such action as may be deemed necessary with regard to closing the affairs of the bank after the charter has expired.

After the charter of a bank is permitted to expire, the president or cashier should execute and forward to the Comptroller of the Currency certificate to that effect, in the following form:

CERTIFICATE OF EXPIRATION OF CORPORATE EXISTENCE.

— NATIONAL —— BANK ——, ——, ——.

To the COMPTROLLER OF THE CURRENCY,
Washington.

SIR: It is hereby certified that the corporate existence of ——, located at ——, in the State of ——, having expired at close of business on the —— day of ——, ——, the bank is now closing its affairs under the provisions of section 7 of the act of July 12, 1882.

In testimony whereof I have, by instruction of the board of directors of said association, hereto subscribed my name and affixed the seal of said association at ——, aforesaid, the day and year above written.

[SEAL OF BANK.]

President or Cashier.

Notice of liquidation by reason of expiration of corporate existence must be published for a period of two months in a newspaper in the city of New York, and also in a newspaper published in the place in which the bank is located. (See sec. 5221, Rev. Stat.) Certificates of the publishers that the required publication has been made, together with a slip containing notice from one issue of each paper, should be sent to the Comptroller of the Currency. Form for use in this connection follows:

NOTICE.

The —— National —— Bank ——, located at ——, in the State of ——, is closing up its affairs, its corporate existence having expired at close of business on the —— day of ——, ——. All note holders and others, creditors of said association, are therefore hereby notified to present the notes and other claims against the association for payment.

President or Cashier.

Dated ——, ——

The settlement of the affairs of a bank, at expiration of charter, should be effected in the same manner as in the case of liquidation by resolution of shareholders.

CONSOLIDATION.

Consolidation can only be effected by pursuing one of the following methods:

First. Without an increase of capital the directors of the absorbing bank may enter into a contract with the directors or agents of the liquidating association to purchase its assets, assume liabilities to depositors and other creditors, and to pay the value of assets purchased in excess of liabilities to depositors and other creditors, less any expenses incident to liquidation.

Second. By increasing the capital stock of the absorbing bank by an amount equal to that of the liquidated bank, the additional shares may be sold to stockholders of the latter, consent thereto having been previously obtained from shareholders of the absorbing association.

The national bank act makes no provision for the allotment of new stock when a bank increases its capital but under the common law, where it has not been modified by statute, when a corporation has adopted a resolution to increase its capital, the shareholders of the corporation have the right to participate in the increase in proportion to the number of shares held by each and waiver of that right should be obtained before allotting any of the shares to others.

Provision having thus been made for shareholders of the closed bank, the directors of the continuing bank are at liberty to contract for the purchase of assets and the assumption of liabilities to depositors and other creditors of the liquidated bank.

As the law is construed as requiring the payment of capital, original or on account of increase, in money, and not in "notes or like evidences of debt," the right to accept stock or assets representing stock of the closed bank and to issue therefor certificates in the continuing bank is not recognized. In every such case shareholders of the closed association should be paid the value of their stock either in cash or cashier's checks, the proceeds being available in payment of shares to which they may be entitled in the absorbing corporation.

Third. The remaining method is to place the interested banks in voluntary liquidation, under section 5220 of the United States Revised Statutes, organize anew under a different corporate title, and acquire, in the manner hereinbefore outlined, the business of the liquidating associations. This method enables the incorporators to place the stock as they may determine.

In any event there should be a contract covering the transfer of assets and assumption of liabilities, and an examination of the assets to be taken over will be made by a national bank examiner at the expense of the bank acquiring the assets.

ASSUMPTION OF LIABILITY FOR CIRCULATION.

Section 5223, United States Revised Statutes, provides that a national bank which is in good faith winding up its business for the purpose of consolidating with another national bank shall not be required to deposit lawful money for its outstanding circulation.

When it is desired to take advantage of this section, in addition to the adoption of the resolution by the directors of the liquidating bank authorizing the assignment of its bonds to the national bank with which it is to be consolidated, the Comptroller requires the

directors of the continuing bank to adopt a formal resolution by which they assume the liability for the outstanding circulation of the liquidating bank.

NOTICE OF SHAREHOLDERS' MEETING.

There is nothing in the national bank act regarding notice of the annual meeting of the shareholders of national banking associations when held at the time specified in the articles of association. If the articles of association and by-laws are silent the usual notice of the meeting should be given, shareholders being entitled, no doubt, to advice of the meeting notwithstanding the fact that the time is fixed by the articles.

For an annual meeting, at which business of an unusual or extraordinary character such as the amendment of articles of association is to be considered, and for all special meetings of shareholders, notice should be given as required by the articles of association of the bank. Unless provision is made therein, 30 days' notice of meeting and business to be transacted should be given. If for any cause the election of directors is not made at the time appointed and the annual meeting is not regularly adjourned, an election must be held on a subsequent day designated by the directors, 30 days' notice of meeting to be given in a newspaper published in the city, town, or county in which the association is located, and if no newspaper is published in such city, town, or county, such notice shall be published in a newspaper published nearest thereto. (Sec. 5149, U. S. R. S.)

DOMESTIC BRANCH BANKS.

The only provision in the national-bank act relating to branch banks is found in section 5155, United States Revised Statutes, and reads as follows:

It shall be lawful for any bank or banking association, organized under State laws and having branches, the capital being joint and assigned to and used by the mother bank and branches in definite proportions, to become a national banking association in conformity with existing laws and to retain and keep in operation its branches, or such one or more of them as it may elect to retain. * * *

The granting of this special privilege to converting State banks and the absence of any similar provision in the law with respect to domestic branches of national banks of primary organization have always been construed by the Comptroller to imply that banks of the latter class were not permitted to have domestic branches. The section cited absolutely restricts branch banks of converted associations to such as have a definite proportion of the capital of the parent bank

assigned to them, and it is not to be assumed that the law contemplated that associations of primary organization should be permitted to assign any portion of their capital to and operate domestic branches.

This fact is further to be inferred from section 5138, United States Revised Statutes, which prohibits the formation of associations with less capital than \$200,000 in cities of population exceeding 50,000, and with less than a specified capital in places with population less than 50,000.

To permit the establishment of domestic branch banks would not only render possible an evasion of the provisions of section 5138, but tend to discourage the organization of banking associations which, in the absence of such branches, might be formed.

Section 5134 provides in part that the organization certificate of a national bank shall show "the place where its operations of discount and deposit are to be carried on," and section 5190 that "the usual business of each national banking association shall be transacted at an office or banking house (not offices or banking houses) located in the place (not places) specified in its organization certificate."

The words "place" and "at an office or banking house" have always been construed by the Comptroller to mean the legal domicile of the corporation, and this construction is sustained by the Solicitor of the Treasury in an opinion rendered August 10, 1899, on the question of the right of a national bank to establish and maintain an auxiliary cash room at some point distant from its banking house, for the purpose of receiving deposits and paying checks. The solicitor says:

This section (5190, U. S. Rev. Stat.) contemplates that the usual business of a national banking association shall be transacted at one office and banking house, and as receiving deposits and paying checks belong to the "usual business" of a bank, I am of the opinion that the statute does not authorize the establishment of an auxiliary cash room in a different part of the city for the purpose proposed. Besides, it may be observed that if a national banking association can lawfully establish and maintain a separate office for receiving deposits and paying checks, it could as well establish as many of such auxiliary cash rooms in the city of its corporate residence as its business might require; and, indeed, the entire business of the bank may be parceled out and conducted in the same way all over the city.

The Supreme Court of the United States, in the case of *Armstrong v. Second National Bank of Springfield* (38 Fed. Rep., 886), involving among other things the question of the right of a national bank to cash a check elsewhere than at its banking house, held that—

Under this section (5190) it certainly would not be competent for a national bank to provide for the cashing of checks upon it at any other place than at its office or banking house,

If, therefore, it is unlawful for a national bank to cash a check elsewhere than at its banking house, it is likewise unlawful for it to discount notes or to receive deposits elsewhere, for one is as much a part of the "usual business" of a bank as the other. As it is obviously impossible for a bank to transact its entire business within the four walls of any single building, it is not held that the law contemplates that the "entire business," as distinguished from its "usual business," shall be transacted in its banking house.

In the case of *The Merchants National Bank of Boston v. The State National Bank* (10 Wall., 604) it was held in this connection that—

The provision requiring the "usual business" of the association to be transacted "at an office or banking house specified in its organization certificate" must be construed reasonably, and a part of the legitimate business of the association which can not be transacted at the banking house may be done elsewhere.

The question involved in this case was the right of the bank's officers to purchase gold elsewhere than at its banking house, and the court held that—

The gold must necessarily have been bought, if at all, at the buying or selling bank or at some third locality. The power to pay was vital to the power to buy, and inseparable from it.

The "legitimate business" of a bank, therefore, which a reasonable construction of the law would permit to be done elsewhere than at its banking house would seem to be restricted to transactions similar in character to that involved in the decision quoted, and not the ordinary and usual business of receiving deposits and cashing checks.

While the national-bank act does not expressly prohibit the establishment and maintenance of domestic branch banks or agencies by associations of primary organization, the implication to that effect is clear, and the Attorney General of the United States, in an opinion rendered on May 11, 1911 (before the passage of the Federal reserve act, authorizing the establishment of branches in foreign countries, dependencies or insular possessions of the United States), in the case of the Lowry National Bank of Atlanta, Ga., which desired to establish branch banks within the limits of that city, held that—

First. Independently of section 5190, Revised Statutes, a national bank is not, under its charter, authorized to establish a branch or coordinate office for the purpose of carrying on a general banking business in the place designated in its certificate of organization; and,

Second. That section 5190, Revised Statutes, properly construed, restricts the carrying on of the general banking business by a national bank to one office or banking house in the place designated in the association's certificate of organization.

That the act does not contemplate the operation of domestic branch banks by national banks of primary organization is evidenced by the fact that in 1892 a special act was approved authorizing the operation of a branch by a Chicago national bank on the World's Fair grounds. In 1901 similar legislation was enacted by Congress in connection with the Louisiana Purchase Exposition, held in 1904.

FOREIGN BRANCH BANKS.

Section 25 of the Federal reserve act, as amended by the act of September 7, 1916, contains the following provision:

Any national banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Federal Reserve Board for permission to exercise, upon such conditions and under such regulations as may be prescribed by the said board, either or both of the following powers:

First. To establish branches in foreign countries or dependencies or insular possessions of the United States for the furtherance of the foreign commerce of the United States, and to act if required to do so as fiscal agents of the United States.

Second. To invest an amount not exceeding in the aggregate ten per centum of its paid-in capital stock and surplus in the stock of one or more banks or corporations chartered or incorporated under the laws of the United States or of any State thereof, and principally engaged in international or foreign banking, or banking in a dependency or insular possession of the United States either directly or through the agency, ownership, or control of local institutions in foreign countries, or in such dependencies or insular possessions.

Every national banking association operating foreign branches shall be required to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and every member bank investing in the capital stock of banks or corporations described under subparagraph two of the first paragraph of this section shall be required to furnish information concerning the condition of such banks or corporations to the Federal Reserve Board upon demand, and the Federal Reserve Board may order special examinations of the said branches, banks, or corporations at such time or times as it may deem best.

Every such national banking association shall conduct the accounts of each foreign branch independently of the accounts of other foreign branches established by it and of its home office, and shall at the end of each fiscal period transfer to its general ledger the profit or loss accrued at each branch as a separate item.

SAVINGS DEPARTMENT.

There is nothing in the national-bank act or the Federal reserve act authorizing the operation of a savings department, and as the capital, deposits, and all other funds of a national bank may be loaned or otherwise invested only in conformity with the provisions of law, it follows that the sole business of a savings bank which can be legally transacted by a national bank is the paying of interest on deposits.

The counsel for the Federal Reserve Board has rendered an opinion that the Federal law relating to the establishment and operation of national banks is superior to and controlling over a State law which might otherwise apply to or govern the operation of national banks. Congress having conferred on national banks the power to pay interest on time deposits, it is evident that the right to advertise and solicit such savings accounts is a necessary incident to the exercise of that power, and that no State law can interfere with its exercise.

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